

PROSPECTS AND CHALLENGES FOR SUSTAINABLE FOREIGN DIRECT  
INVESTMENT IN NAMIBIA: A COMPARATIVE EXPLORATION OF  
RAMATEX TEXTILES NAMIBIA AND OHORONGO CEMENT

A THESIS SUBMITTED IN PARTIAL FULFILLMENT OF THE  
REQUIREMENTS

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## **ABSTRACT**

Despite the government of Namibia having identified Foreign Direct Investment (FDI) as instrumental to achieving national goals and objectives, the benefits do not accrue automatically. Experience with FDI, particularly Ramatex Textiles Namibia (RTN), has led to the creation of a negative perception by the general public towards FDIs. This required greater scrutiny so as to lend scope and explore whether all FDIs are detrimental towards government developmental goals and objectives by comparatively exploring RTN and Ohorongo Cement.

The mixed method research design, comprising of both quantitative and qualitative methods, was applied. Quantitatively, a structured questionnaire as well as a rating scale was used. Interview schedules were used to conduct open ended interviews. The population of the study was 7330 and the sample size comprised of 66 respondents who were selected using the purposive sampling and snowball sampling methods. The key findings of this study are that not all FDIs are detrimental towards government goals and objectives.

RTN had a relatively negative impact on the country, primarily through the pollution of underground water and violation of labour laws in the country. Contrastingly, this study found that Ohorongo Cement has had a far more positive impact on the development goals and objectives of the country. This positive impact was primarily realised through the Corporate Social Investment (CSI) activities the company has undertaken. In an effort to maximise on the positive prospects of FDI towards development, this study recommends



that the current amended Export Processing Zone's Act (Act No. 9 of 1995) be reviewed to ensure emphasis is placed on sustainable socio-economic development of the country. Trade unions should negotiate for better salaries and working conditions through collective bargaining. An education campaign to promote CSIs among foreign investors with a particular focus on its benefits for business success and the local community should be undertaken.



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### **DECLARATIONS**

I, the undersigned, declare that the work contained in this Thesis for the purpose of obtaining my Master of Public Administration Degree is my own original work and that I have not used any other sources than those quoted and listed in references.

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### **Supervisor's Certificate**

I, the undersigned, hereby certify that the research and writing of this Thesis paper was carried under my supervision.

Supervisor's signature: \_\_\_\_\_

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**LIST OF ABBREVIATIONS AND ACRONYMS**

AGOA	Africa Growth Opportunity Act
CCA	Common Customs Area
CoM	Council of Ministers
CSI	Corporate Social Investment
CSR	Corporate Social Responsibility
EFA	External Funding Agencies
EPZ	Export Processing Zone
FDI	Foreign Direct Investment
FPI	Foreign Portfolio Investment
GDP	Gross Domestic Product
GNP	Gross National Product
HPP	Harambee Prosperity Plan
IIP	Infant Industry Protection
LaRRI	Labour Resource and Research Institute
LDC	Less Developed Country
MNC	Multinational Company



MWh	Megawatt hour
NAFAU	Namibia Food and Allied Workers Union
NDP1	National Development Plan 1
NDP2	National Development Plan 2
NDP3	National Development Plan 3
NDP4	National Development Plan 4
NDP5	National Development Plan 5
NDP6	National Development Plan 6
NDP7	National Development Plan 7
NIC	Namibia Investment Centre
NIP	Namibia Investment Promotion
ODC	Offshore Development Company
OECD	Organisation for Economic Co-operation and Development
PLC	Product Life Cycle
R & D	Research and Development
RTN	Ramatex Textiles Namibia
SACU	Southern Africa Customs Union



SADC	Southern African Development Community
SDG	Sustainable Development Goals
SME	Small Medium Enterprise
TDP	Transitional Development Plan
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDG	United Nations Development Group
UNDP	United Nations Development Programme
USA	United States of America
WCED	World Commission on Environment and Development



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## **CHAPTER 1: INTRODUCTION**

### **1.1. Introduction**

This chapter introduces the study by providing the background information of what prompted the study, the problem statement, the research questions of the study, the significance of the study, limitations or the scope of the study, as well as the outline of the thesis.

### **1.2. Orientation of the study**

Foreign Direct Investment (FDI) in Namibia is deemed, among others, as a key enabler in aiding the country attain its national goals and objectives as outlined in the National Development Plan (NDP) 4 and Vision 2030. FDI can only be fully beneficial if engaged and utilised through policies that contribute to sustainable development. FDI is an integral part of an open and effective international economic system and a major catalyst to development. Yet, the benefits of FDI do not accrue automatically.

Attracting FDI constitutes an increasingly important component of national development strategies. In part, this often reflects constraints on other development resources such as official development assistance, private bank loans or potentially volatile portfolio investments. More directly, host countries have recognised that FDI offers unique advantages over traditional development mechanisms that mainly involve financial transfers. Kline (2012) states that in addition to financing, FDI can incorporate technology transfer, market access, managerial skills and other advantageous resources into a



functional business package where risk is borne by the investor rather than by public sector agencies. However, just as FDI can mobilise an array of development resources, the societal impacts from FDI are similarly multidimensional involving economic, environmental, social and governance issues.

Since the inception of the various NDP's and Vision 2030, Namibia has not been able to make significant strides in their attainment, particularly in employment creation as part of the overall goals and manufacturing as part of the strategic areas. One of the key goals of Vision 2030 is to reduce the unemployment rate to under 5% (Republic of Namibia, 2004). While this has been the target for the country since independence, the unemployment rate has increased to date, reaching 51% under the broad definition (Namibia Statistics Agency, 2013).

Manufacturing is a priority sector and will benefit from increased investment in the economy that would subsequently reduce the unemployment rate in the country. Under the NDP4, 15,707 jobs are expected to be created between 2012 and 2017 from the manufacturing sector (Republic of Namibia, 2012). Namibia has to date managed to attract mostly manufacturing foreign companies such as Bokomo Namibia, Ramatex Textiles Namibia (RTN), Langer Heinrich Uranium and Ohorongo Cement. Two companies that are of particular interest to this study are RTN and Ohorongo Cement. As will be illustrated elsewhere, the divergent impact of these two investments constitutes the edifice upon which the thesis is grounded. A brief background on the two companies is provided below. According to Flatters and Elago (2008), RTN is a wholly owned subsidiary of the



Ramatex Group, a Malaysian textile and garment company with major manufacturing operations in a number of countries such as Cambodia, China, Malaysia, and Namibia before it relocated from the latter country in 2008. Flatters and Elago (2008) further add that the RTN investment in 2001/02 was N\$ 1 billion. That investment offered the prospect of well over 10,000 jobs and the development of a new manufacturing export base in textiles and garments, with potential knock-on effects for many other sectors through supplier linkages, labour force training and the development of transport networks.

RTN's principal reason to invest in southern Africa was to take advantage of the Africa Growth and Opportunities Act (AGOA), which offers duty and quota free access to the U.S. market. The reason it chose Namibia as an investment location was due to the generous package of incentives contained in a pre-existing Export Processing Zone (EPZ) programme that was enhanced with concessionary transport and utility provisions and the government's assumption of major costs in respect of water supply and waste water management (Shindondola, 2003).

Flatters and Elago (2008) report that productivity at RTN was lower than expected and unit labour costs were higher. Difficulties in meeting production deadlines and in achieving planned shipping volumes combined with other logistical problems which raised shipping costs and further reduce competitiveness. RTN never came close to meeting its production, sales or employment targets. Flatters and Elago (2008) further add that RTN lost money in every year since it opened. It scaled back production and



employment in January 2005 by closing one of its three garment factories. Rhino Garments, a related company operating under separate management on an adjacent site shut down a few months later. RTN's spinning and weaving operations, which had been operating at considerably less than existing or planned capacity, were closed in August 2007 (Flatters & Elago, 2008).

Despite the numerous challenges that were experienced with RTN and its divestment, Namibia was able to attract a foreign investor in the cement manufacturing industry in 2007, which appears to be more of a success case than RTN. Wedlich (2010) states that Ohorongo Cement is a cement producing company that was established in Namibia in 2007. A cement plant was constructed over the course of two years by a leading international engineering company Polysius. The total investment value is N\$ 3.8 billion (Wedlich, 2010).

Russel and Cohn (2013) further add that Ohorongo Cement commenced production in December 2010 and was slated to turn out more than 700,000 tons of high-quality cement annually for local consumption as well as for export purposes. Significantly, all raw materials required for the production process are sourced in Namibia and the entire value chain takes place within the country.

Ohorongo Cement helped to end Namibia's reliance on imported cement from South Africa and also proved capable of producing in excess of 700 000 tons per annum, allowing for export to neighbouring countries including the Democratic Republic of Congo, Botswana, Zambia and Southern Angola. This is beneficial to the country's



balance of payments and serves as an example for other Namibian manufacturers to venture into foreign markets (Wedlich, 2010).

Russel and Cohn (2013) state that by directly employing 332 people, the company has served as a major employer in the Otjozondjupa Region, particularly at the plant. It has, for instance, brought about a number of spin-offs, including the erection of a concrete sleeper factory in Tsumeb, only five months after the main one commenced operations. Services introduced by the company, including a canteen, security and a laundry, as well as the transport of employees, raw material and cement, have created additional employment through outsourcing.

Additionally, Russel and Cohn (2013) state that it has been calculated that through Ohorongo Cement's operation, more than 2 100 jobs have been created and the Namibian GDP has risen by at least 1%. Additionally, the cement company has been credited with operating the most technologically advanced plant of its kind in Africa. It was awarded several prizes including "Best Foreign Investment" by the Namibian Government in 2011, and "Manufacturer of the Year Award for 2013" by the Namibia Manufacturers Association. Compared to other African cement plants such as Rwanda Cement Factory in Rwanda and Ashaka Cement in Nigeria, Ohorongo Cement uses approximately 30% less electrical power at 18 Megawatt hour (MWh) per day for the raw mill and approximately 2.5 MWh per day for its coal mill (Russel & Cohn, 2013).

From the above, it is evident that FDI can potentially play a pivotal role in the realisation of national goals and objectives, while giving similar importance to economic,



environmental, social and governance aspirations of the host country. However, FDI can, by similar extension, prove to be detrimental if concerned companies are not engaged through adequate laws and policies that would benefit all.

It is against this background that the issue of sustainable FDI arises. To be sure, the vexing question relating to FDI is this: under what conditions would FDI serve the interests of both the foreign investor and the host country by establishing a win-win scenario where each party derives benefits to maintain the relationship over a substantial period of time? Kline (2012) states that foreign investors usually calculate the benefits and costs of a particular foreign investment in terms of its contribution to the corporation's global profitability. Although types of operational benefits vary, their impact on the corporate bottom line is generally quantifiable. He further asserts that host country benefits and costs at the national, regional and local levels are more diverse and many are very difficult to quantify and compare. The tendency is often to focus on more easily quantifiable economic factors that directly correspond to the foreign investor's project proposal (Kline, 2012). This approach can present an image of definitive certitude, even when time projections are uncertain, and often overlooks or undervalues potential project impacts on less quantifiable interests.

In light of the above-mentioned, RTN and Ohorongo Cement have been selected for purposes of this study to illustrate and give comprehensive insight into the impact their operations have had on the developmental agenda of Namibia. Having established the



above background to the topic, the next section brings forth the statement of the problem that this paper intends to explore.

### **1.3. Statement of the problem**

Since independence, the establishment of FDI in Namibia have brought varying degrees of advantages and disadvantages for the nation and in particular to its development agenda. Two such cases are that of RTN and Ohorongo Cement. The absence of a regulatory framework that provides the contours to safeguard sustainable FDI in Namibia meant that RTN was capable to exploit the legislative loopholes to its advantage. Indeed, Jauch (2008) suggests that RTN gave no regard to the economic, environmental, social and governance considerations of the country. Contrastingly, Russel and Cohn (2013) state that Ohorongo Cement has had a different approach of FDI operations in the country with due diligence given to economic, environmental, social and governance considerations of the country. The withdrawal of RTN from Namibia brought into relief the issue of sustainable FDI and the regulatory framework that guides it.

The divestment of RTN from Namibia in 2008 led to the creation of a negative perception by the general public towards FDI (Jauch, 2008). This requires greater scrutiny of the regulatory framework of FDI. While a number of studies have been conducted on FDI by a number of authors (Flatters & Elago, 2008; & Shindondola, 2003) in general, none of them have addressed the challenges and prospects of sustainable FDI in Namibia. In exploring the above problem, the next section lists the research questions that guided this study.



#### **1.4. Research questions**

The study seeks to answer the following questions:

- Do FDIs carry the developmental interests of Namibia at their hearts?
- To what extent have Ramatex Textiles Namibia and Ohorongo Cement contribute to the developmental objectives of the Namibian government?
- Does the Namibia Investment Promotion Act (Act 9 of 2016), the amended Export Processing Zones Act (Act 9 of 1995) and the Infant Industry Protection Act (2002) provide the regulatory framework to adequately address the sustainability of FDI in Namibia?
- What strategies can be employed to promote the sustainability of FDI in Namibia?

#### **1.5. Significance of the study**

No study has yet been done on the regulatory framework needed to ensure sustainable FDI in Namibia. As such the knowledge gained from this study would be of substantial use to both the government and potential international investors. The study will similarly aid stakeholders better understand and mitigate the challenges of sustainable FDI while striving for and ensuring the prospects among current and future FDIs through sustainability measures. By particularly looking at the cases of RTN and Ohorongo Cement, the study seeks to determine whether the sustainable/unsustainable practices in the domain of FDI was a result of enforcement measures or lack thereof by government bodies or purely a result of foreign investors acting out of their own accord. This may



provide regulatory guidance to government and position them to better mitigate the associated challenges.

Additionally, this study can aid policy makers to devise policies that will make it possible for foreign investors to operate profitably, while sustainably preserving the resources and national interests of the country.

### **1.6. Limitations of the study**

Limitations that the researcher faced include the fact that the study focused only on the challenges and prospects of sustainable FDI in Namibia, looking exclusively at RTN and Ohorongo Cement. Additionally, findings from this research can be generalised only to FDI in Namibia, hence the nature of a comparative exploration on RTN and Ohorongo Cement. RTN no longer exists and therefore made it difficult to source information and answers to questions. There are very little prior studies that have been done on sustainable FDI in general.

### **1.7. Outline of the thesis**

The thesis is divided into five chapters. Chapter one gives an introduction to the context of the study. This chapter provides information pertaining to the orientation of the study, the statement of the problem, the research questions, and the significance of the study as well as the limitations experienced during the study. Chapter two presents a theoretical framework and review of existing literature on sustainable FDI that are germane to this study.



Chapter three discusses the research methodology that was adopted and used to conduct this study. Research methodology covered issues of the research design, population of the study, sample, research instruments, procedure used in collecting data as well as the methods used to analyse data and the observed ethical considerations. Chapter four focuses on data presentation, analysis and a discussion of the findings. Chapter five presents the conclusions and recommendations of the study.

### **1.8. Conclusion**

This chapter provided an overall background to the study, described the nature of the problem under exploration, the research questions, the significance of the study, the limitations the study experienced and the potential contribution that the researcher hopes to make to the existing body of knowledge on sustainable FDI. An outline of the thesis was provided to give an overview of the thesis structure. In whole, the aim of this chapter was to put the entire thesis into perspective. The next chapter will focus on a review of selected literature pertaining to the nature of FDI.



## **CHAPTER 2: THEORETICAL FRAMEWORK AND LITERATURE REVIEW**

### **2.1. Introduction**

The role of FDI in the developmental process of an economy has been generally agreed upon. For this reason, both developed and developing countries have engaged in efforts to attract FDI. The challenges faced by countries, especially developing ones, particularly in Africa, is how to ensure the operations and activities of foreign owned companies are sustainable vis-à-vis the development agenda of respective host countries (Kline, 2012). It is against this background that concerns with sustainable FDI are to be evaluated.

From the above reading, it is critical that a clear distinction between FDI and sustainable FDI be made. The International Monetary Fund (2014) defines FDI as investment that is made to acquire a lasting interest in an enterprise operating in an economy other than that of the investor, the investor's purpose being to have an effective voice in the management of the enterprise without necessarily being sustainable against host country's developmental goals.

In contrast, Kline (2012) defines sustainable FDI as investments that yield profits sufficient to maintain effective corporate engagement without harming vital host country interests while producing positive net benefits for the country's long-term development goals as evaluated on prioritised economic, environmental, social and governance indicators. Sustainable FDI is a relatively new term that is meaningful when considered in conjunction with sustainable development.



Host countries can benefit from FDIs, but these investments typically generate a multitude of impacts that involve both costs and benefits. While most FDI project assessments focus mainly on quantifiable economic aspects, environmental, social and governance effects also merit careful evaluation (Kline, 2012).

Many scholars, such as Dubin (1976), Cyert and March (1963), Faeth (2009) and Dunning and Lundan (2008) are at variance about FDI theory. The next section discusses four main theories of FDI.

## **2.2. Theories of FDI**

In an effort to enlist the guidance of various theories to understand FDI, this section discusses four main theories that will be used to further explain and give insight into the nature of FDIs.

### **2.2.1. Neoclassical Theory**

In light of the traditional view, Weintraub (1993) developed the Neoclassical theory where he regards the presence of FDIs as the return on capital between different nations as encouraged by imports and exports. Such viewpoint encourages foreign owned companies to invest their capital assets from low-return to high-return countries for acquiring more profits. Subsequently, the capital inflow persists until all nations have the same return on capital. This theory places great emphasis on increasing profits and overlooks the issue of FDI sustainability that are of particular interest to this paper.



### **2.2.2. Location Theory**

The Location theory was advanced by Paul Krugman (1991). Krugman (1991) suggests that foreign owned companies choose a location which is close to markets or raw materials to construct the investment position so FDI comes into existence. Once an investment location attracts more and more FDIs, it becomes an agglomeration location. In fact, the agglomeration effect is associated with externalities. The concentration of production and urbanisation facilitate quick spill-overs of knowledge and the use of joint networks of suppliers and distributors. Recognising that this theory advocates for positive spill-overs that come with establishing an agglomeration location, the theory does not state ways on how these benefits can be sustainable in the long run for both the investor and the host country.

### **2.2.3. Product Life Cycle Theory**

Vernon (1966) advances the product life cycle theory (PLC) to explain why FDI exists. He observes that different PLC results occur in different production regions. There are three stages that discuss the PLC. First, there is a lead-in period, where new products exist to fulfil markets belonging to high-income countries.

Second, there is a mature period. During this period, Vernon (1966) states that the price of maturing products progressively declines. Other developed or developing countries enlarge the demand of maturing products. It is because the labour cost in developed countries is higher and they subsequently move the production stronghold to the country whose labour cost is lower. As for stage 3, Vernon (1966) states that the competition of



standardised products depends on the advantage of price. For labour-intensive products, developed countries do not own the core competence. Thus, they transfer the products to undeveloped countries. The theory outlines well the three stages which products supplied by foreign investors go through. However, pivot to preventing adverse effects that may arise, the theory does not provide guidance on how the existence of FDI can be sustainable in progressing through these three stages.

#### **2.2.4. Eclectic Theory**

The previously discussed theories all considered a single view to explain the existence of FDI. To make up for this defect, Dunning (1993) refers to the eclectic theory. This theory focusses on ownership advantage, location advantage and internalisation advantage.

The Eclectic theory brings into relief the existence of three necessary conditions for FDI. First, foreign owned companies own firm-specific assets which is called ownership. Second, because of location, production processes that employ the firm-specific assets, are efficiently dispersed among several national markets. Third, internalisation, the decentralised use of a firm-specific asset is more efficiently managed within the owning firm, than by renting it at arm's length to another firm (Dunning, 1993). These three features of FDI which are ownership, location, and internalisation comprise the basis of the eclectic theory of FDI by Dunning (1993). However, despite the above three features being clear, the issue of FDI sustainability remains absent. These three features need to come forth with great emphasis on sustainability that would be able to avert some of the problems that arise due to the volatility of FDIs in general.



From the above four main theories of FDI, the existence of weaknesses in all FDI theories has become evident, in that each one of them could only partly explain the comportment determinants and some of the advantages of FDI to host countries without stressing aspects and means of ensuring sustainability of the said advantages, and thus the existence of no unified or clear cut theory. The above theories have demonstrated the various issues that influence FDI behaviour. However, Blonigen and Piger (2011) state that there are different types of FDI that have different criteria in making their investment decision. These are discussed in the next section below.

### **2.3. Types of FDI**

Before elaborating on the types of FDI, we need to perhaps ask what the determinants of FDI are. According to Blonigen and Piger (2011), determinants depend mainly on the motives of foreign investors when choosing the type of investment. To them these motives are either 1) marketing seeking, 2) asset/resource seeking or 3) efficiency seeking FDI's. The purpose of market seeking FDI's is to serve local and regional markets. An example of this type of FDI is Ohorongo Cement. According to Russel and Cohn (2013), the German descending cement company has invested N\$ 3.8 billion in Namibia in 2009.

As for the asset/resource seeking type of FDI, Blonigen and Piger (2011) posit that these are firms that invest abroad to acquire resources not available in their home country such as raw materials and low cost labour. Low cost labour was particularly one of the enticing factors of RTN to Namibia (Labour Resource and Research Institute (LaRRI), 2003).



Resource seeking FDI is a common source of FDI inflows into developing countries, especially in the Southern African Development Community (SADC). Mhlanga, Blalock and Christy (2009) cite mining as the main FDI determinant during the 1990s and 2000s in a number of SADC countries including South Africa, Angola, Botswana, Zambia, Zimbabwe and Namibia. In Namibia, particularly, Langer Heinrich Uranium provides an ideal example of this type of FDI.

Lastly, Blonigen and Piger (2011) discuss the third type of FDI and state that it occurs when the firm can gain from the common governance of geographically dispersed activities in the presence of economies of scale and scope. According to Flatters and Elago (2008), Namibia provides a competitive advantage in terms of the economies of scale as it has good road networks (Trans-Kalahari and Trans-Caprivi Highways) which connects it with neighbouring countries such as Botswana, Zimbabwe, Zambia and Angola. They further add that Multinational Companies (MNCs) such as RTN have invested in Namibia, particularly due to this competitive advantage the country offers that allow MNCs to export their goods to the United States of America (USA) through the AGOA (Flatters & Elago, 2008). All the three types of FDIs are important in one-way or another and together make a favourable condition that could attract large amounts of FDIs for any country.

However, an additional factor that explains the motives of investors is agglomeration. According to Araujo (2009), agglomeration behaviour in choosing investment location occur when new investors mimic past investment decisions of other investors in choosing where to invest; locating next to other firms, they benefit from positive spill-overs from



investment already in place. The common sources for these positive externalities are knowledge spill-overs, specialised labour and intermediate inputs (Araujo, 2009).

This has mainly guided the investment location decisions of foreign investors that particularly do not want to invest in locations that have not already been established in terms of favourable market conditions. Namibia appears to be slowly emerging from an agglomeration location, especially with the steady increase in FDI inflows into the country over the past years. Clearly, various types of FDIs have different roles to play in the host country and bring into relief its importance. This importance of FDI is discussed in the next section below from a theoretical perspective.

#### **2.4. Theoretical Importance of FDI**

FDI is not only a source of external finance required for large capital projects in developing and/or certain developed countries, but also a source for improving productivity in firms, especially those operating in less developed economies. According to Araujo (2009), the productivity of a country improves through technology spill-overs from FDI that are joint ventures, or when operating in sectors with great foreign presence. Joint ventures between an FDI and host enterprise are important sources of absorbing technological skills, though such joint ventures, in the Namibian setting, would have to be recognised by Competition Act (Act No. 2 of 2003) through exceptions in the Act referred to as an ‘escape clause’.



Kurtishi-Kastratib (2013) states that FDI plays a major role in the economic development of developing countries. To be sure, FDI acts as both a long term source of capital as well as a source for advancing and developing technologies. The investors also bring along best global practices of management. As large amount of capital comes in through these investments, more and more industries are set up. This helps in increasing employment. Kurtishi-Kastratib (2013) adds that although FDI may increase employment opportunities, these need to be sustainable in the long term with a sustainable salary/wage to employees based on the rank/level of various positions within a company. This will allow employees to lead a sustainable life free from extensive debt. To sustain a safe, healthy and functional workplace, Kurtishi-Kastrati (2013) suggests that an organisation must put in place practical and efficient work processes to minimise the impact of employee production on the office environment and employees.

Sustainable workplace practices go beyond what is required by law and ensure longevity and the overall well-being of the workforce. This may include the provision of various fringe benefits such as health insurance, leave days for holiday and medical reasons, meals and transport to mention but a few (Kurtishi-Kastrati, 2013). Sustainable workplace practices include examining employee carbon footprint, offering occupational wellness programmes and stress-reducing strategies (e.g., nap rooms, on-site massages and stretch breaks), and providing wellness-related benefits such as on-site gyms. Maintaining a sustainable workplace also means minimising external environmental impact. This can be done by purchasing repurposed and recycled materials, minimising unnecessary employee travel, and reducing energy and water consumption (Kurtishi-Kastratib, 2013).



More examples of sustainable employment practices are offered by Kurtishi-Kastratib (2013) and include work/life balance programmes such as flexible scheduling, career development programmes, initiatives to maintain a motivated and engaged workforce, and inclusive leadership and strategic training programmes.

Possible benefits that may be derived from FDIs might not be always realised in the absence of adequate legislation on investment. Investment is further driven positively by factors such as (1) public expenditure (2) openness to trade and investment (3) human capital, (4) per capita income (5) development of capital markets (Dabla-Norris, et al., 2010). The lesson for Namibia is that the Competition Act (Act No. 2 of 2003) though it positively impacts on the Namibia Investment Promotion (NIP) Act (Act No. 9 of 2016), might not have the desired result in terms of investment promotion.

Kurtishi-Kastrati (2013) argues that there are other determinants of expanding investment besides the equal treatment of foreign and domestic investment. Firstly, local firms should also have an absorptive capacity by investing in research and development activity in order to maximise the extent to absorb spill-overs in technology from FDI. Secondly, it is particularly necessary and important for a host government to attract FDI in certain specialised sectors in which the potential spill-overs in technology are greater than in other sectors. This approach is backed by the NIP Act (Act No. 9 of 2016). This implies that the stance taken by government on attracting FDIs in the manufacturing sector, as emphasised in NDP4, aims to absorb the needed technological skills in Namibia. Against the importance of FDI illustrated above, clearly Namibia should position itself to make sure



they attract the right amount and type of FDI. The views expressed by Araujo (2009), Dabla-Norris, et al. (2010) and Kurtishi-Kastrati (2013) above have demonstrated the importance of FDI in general. The next section interrogates the role MNCs play in the development of a host country with the aim of identifying the positive and negative effects they may have.

## **2.5. Role of MNCs in Development**

Tirimba and Macharia (2014) define MNCs as huge industrial organizations that have a wide network of branches and subsidiaries spread over a number of countries. The two main characteristics of MNCs are their large size and the fact that their worldwide activities are centrally controlled by the parent companies (Tirimba & Macharia, 2014).

These companies are found in almost all the advanced countries. Their operations extend beyond their own countries, and cover not only the advanced countries but also the Less Developed Countries (LDCs). This affirms the case of RTN, which as stated by Flatters and Elago (2008) in chapter one, is a subsidiary of the Ramatex Group, a Malaysian textile and garment company with major manufacturing operations in a number of countries such as Cambodia, China, Malaysia, and Namibia before it relocated in 2008.

Nyambura (2013), states that many MNCs have annual sales volume in excess of the entire Gross National Products (GNP) of the developing countries in which they operate. MNCs have great impact on the development process of the underdeveloped countries. In discussing the role of MNCs in development, various arguments from various authors that are in favor of and against the operations of MNCs are provided. Tirimba and Macharia



(2014) have advanced a number of arguments in favor of MNCs as playing a positive role and are as follows:

- **Filling the Savings Gap:** The first important contribution of MNCs is its role in filling the resource gap between targeted or desired investment and domestically mobilised savings.
- **Filling the Trade Gap:** The second contribution relates to filling the foreign exchange or trade gap. An inflow of foreign capital can reduce or even remove the deficit in the balance of payments if the MNCs can generate a net positive flow of export earnings.
- **Filling the Revenue Gap:** The third role of MNCs is filling the gap between targeted governmental tax revenues and locally raised taxes. By taxing MNC profits, LDC governments are able to mobilise public financial resources for development projects.
- **Filling the Management/Technological Gap:** Fourthly, MNCs not only provide financial resources but they also supply a package of needed resources including management experience, entrepreneurial abilities, and technological skills. These can be transferred to their local counterparts by means of training programmes and the process of learning by doing.

Tirimba and Macharia (2014) add that foreign investors bring with them the most sophisticated technological knowledge about production processes while transferring modern machinery and equipment to capital poor LDCs. Such transfers of knowledge,



skills, and technology are assumed to be both desirable and productive for the recipient country.

Nyambura (2013) states that the beneficial roles that MNCs play in bringing several other benefits to the host country are:

- The domestic labour may benefit in the form of higher real wages.
- The consumers benefit by way of lower prices and better quality products.
- Investments by MNCs will also induce more domestic investment. For example, ancillary units can be set up to 'feed' the main industries of the MNCs
- MNCs expenditures on research and development (R&D), although limited is bound to benefit the host country.

Contrastingly, arguments have been leveraged against MNCs by Pettinger (2008) as they are perceived to play a negative role in development and are summarised as follows:

- Although MNCs provide capital, they may lower domestic savings and investment rates by stifling competition through exclusive production agreements with the host governments.
- Though the initial impact of MNC investment is to improve the foreign exchange position of the recipient nation, its long-run impact may reduce foreign exchange earnings on both current and capital accounts.
- While MNCs do contribute to public revenue in the form of corporate taxes, their contribution is considerably less than it should be as a result of liberal tax



concessions, excessive investment allowances, subsidies and tariff protection provided by the host government.

- The management, entrepreneurial skills, technology, and overseas contacts provided by the MNCs may have little impact on developing local skills and resources.
- MNCs' impact on development is very uneven. In many situations, MNC activities reinforce dualistic economic structures and widens income inequalities.
- MNCs typically produce inappropriate products and stimulate inappropriate consumption patterns through advertising and their monopolistic market power. Production is done with capital-intensive technique which is not useful for labour surplus economies. This would aggravate the unemployment problem in the host country.
- The behaviour pattern of MNCs reveals that they do not engage in R & D activities in underdeveloped countries.
- MNCs often use their economic power to influence government policies in directions unfavourable to development. The host government has to provide them special economic and political concessions in the form of excessive protection, lower tax, subsidised inputs, and cheap provision of factory sites.
- Multinationals may damage the host countries by suppressing domestic entrepreneurship through their superior knowledge, worldwide contacts, and advertising skills.



The role of MNCs in the developmental process of any country has been contested. This comes as a result of the varying degrees of threats and opportunities they bring forth to a state. There is no uniform opinion about this as disadvantages and advantages derived from the operation of an MNC in a country is largely dependent on the governing legislatures of that state, and that therefore dictate the operational activities of MNCs. Despite the role of foreign investors being contested, developing countries with the aid of international development organisations, have particularly started to position themselves to accept FDI that would be compatible with the sustainable development objectives of the host country. The section that follows provides insight into this.

## **2.6. FDI for Sustainable Development**

The notion of sustainable development presents a challenge for policy makers and goes beyond the traditional concerns for economic growth. The principle underpinning of the notion of sustainable development is that present growth should not be at the expense of future generations or of social equity both within and across countries worldwide (Byrch et al., 2009). It raises environmental concerns about renewable resources and degradation of the ecosystem, as well as social ones regarding the marginalisation of the poorest countries and of unskilled workers, a respect for core labour standards, and of increasing income inequality (Byrch et al., 2009).

The concept of sustainable development is generally attributed to the 1987 Brundtland Report of the World Commission on Environment and Development (WCED) that tied traditional economic objectives to environmental concerns by recognising the needs of



future generations (World Commission on Environment and Development (WCED), 1987). Kline (2012) contends that in order for FDI to aid sustainable development, FDI projects must be commercially sustainable themselves while also promoting the host country's development on economic, environmental, social and governance measures. The regulatory framework of the NIP Act (Act No. 9 of 2016), emphasises, amongst other things, attracting FDI that supports government developmental goals.

Globally, the United Nations Development Programme (UNDP) has been the main custodian for sustainable development. On 25 September 2015, the 193 countries of the United Nations (UN) General Assembly adopted the 2030 Development Agenda titled Transforming our world: the 2030 Agenda for Sustainable Development (United Nations Development Programme (UNDP), 2016). Following the adoption of the development agenda, UN agencies, under the umbrella of the United Nations Development Group (UNDG), decided to support a campaign by several independent entities, among them corporate institutions and international organisations. The Campaign, known as Project Everyone, introduced the term Global Goals and is intended to help communicate the agreed Sustainable Development Goals (SDG) to a wider constituency (UNDP, 2016). The Official Agenda for Sustainable Development adopted on 25 September 2015 has 92 paragraphs, with the main paragraph (51) outlining the 17 SDGs and the associated 169 targets. Table 1 below provides an overview of the goals and the associated targets.



<b>GOAL</b>	<b>ASSOCIATED TARGET</b>
<b>1. Poverty</b>	End poverty in all its forms everywhere.
<b>2. Food</b>	End hunger, achieve food security and improved nutrition and promote sustainable agriculture.
<b>3. Health</b>	Ensure healthy lives and promote well-being for all at all ages.
<b>4. Education</b>	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.
<b>5. Women</b>	Achieve gender equality and empower all women and girls.
<b>6. Water</b>	Ensure availability and sustainable management of water and sanitation for all.
<b>7. Energy</b>	Ensure access to affordable, reliable, sustainable and clean energy for all.
<b>8. Economy</b>	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.
<b>9. Infrastructure</b>	Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation.
<b>10. Inequality</b>	Reduce inequality within and among countries.
<b>11. Habitation</b>	Make cities and human settlements inclusive, safe, resilient and sustainable.
<b>12. Consumption</b>	Ensure sustainable consumption and production patterns.
<b>13. Climate</b>	Take urgent action to combat climate change and its impacts.
<b>14. Marine-ecosystems</b>	Conserve and sustainably use the oceans, seas and marine resources for sustainable development.
<b>15. Ecosystems</b>	Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.
<b>16. Institutions</b>	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.
<b>17. Sustainability</b>	Strengthen the means of implementation and revitalise the global partnership for sustainable development.

*Table 1: Sustainable Development Goals 2015 - 2030*

Source: UNDP (2016)



General consensus has been reached on the influence FDI can have on the developmental processes of a country. The economic, social, environmental and governance issues that are of particular interest to this paper have been reflected in the SDG's by the UNDP of which Namibia is a signatory. Therefore, in light of the above SDG's, Namibia should further position itself strategically to ensure they meet national and international goals through maximum utilisation of FDI and the positive prospects it offers. This can be achieved through adequate laws and policies that allow for foreign investors to remain sustainable on social issues, the economy, environment and governance, as reflected and included in their business goals, objectives, mission and vision.

The concerns raised by the concept of sustainable development become even more pronounced in the light of globalisation processes and international trade. According to the Organisation for Economic Co-operation and Development (OECD) (2014), globalisation, in economic terms, can be thought of as a process in which business decisions, production processes and markets gradually come to exhibit more global characteristics and less national ones. International trade and investment promote growth, alter the composition and geographical distribution of economic activities, stimulate competition and facilitate the international diffusion of technologies. Depending on the circumstances, trade and investment can have significant effects, both positive and negative, for the sustainable development of a host country (OECD, 2014).

The ongoing process of liberalising trade and investment regimes offers both challenges and opportunities in implementing sustainable development policies (OECD, 2014). For



example, issues may arise at the interface of policies or rules designed to encourage trade and inward investment and those designed to further environmental or social objectives. Because of the long-term focus inherent to the notion of sustainability, the most important influence of investment may well be its indirect influence on environmental and social performance, both nationally and globally.

Similarly, Namibia has been engaged in efforts to ensure its developmental processes are sustainable and therefore inherent for the long-term efforts. Issues of sustainability have been reflected in national goals and objectives. For instance, Vision 2030 reflects that the principle of sustainable development is the cornerstone on which the strategies for realising its objectives are premised (Republic of Namibia, 2004).

Clearly, the Namibian government has recognised the contribution sustainable development can have on driving the overall developmental strategies as enshrined in Vision 2030. It further states that the overriding prerequisite for the achievement of dynamic, efficient and sustainable development in Namibia is Partnership (Republic of Namibia, 2004). Partnership with international organisations such as the UN, can aid government in attracting sustainable FDI. The above driving forces to development can be greatly aided by FDI. Baafi (2009) supports this assertion by stating that FDI can significantly contribute to the attainment of the host country's goals and objectives. However, this can only be achieved through the development of laws and policies that encourage these foreign investors to be more responsible economically, socially, environmentally and in corporate governance.



On the other hand, increasingly more foreign investors are responding to public concerns regarding environmental and social issues, as can be seen in the recent rise in corporate voluntary initiatives. This rise in corporate social responsibility (CSR) also impacts on sustainable development. Nonetheless, the contributions that foreign investors can make towards sustainable development of a country can be significant if it institutionalises the values and principles of CSR. In the next section, the CSRs, as idealised, of foreign investors are discussed.

## **2.7. Corporate Social Responsibilities of Foreign Investors**

FDI is widely considered to be a key factor in economic development in middle and low income countries. Positively, it can be associated with the introduction of new technologies, job creation, and access to new markets and improvements in the competitiveness of host countries. Chan (2014) states that too often, FDI has been associated with environmental degradation, increased inequality, and lack of integration with the local economy. This negative perception towards FDI by Chan (2014) coincides with the negative perception expressed by Jauch (2008), as problematised in the statement of the problem in chapter one.

CSRs are becoming increasingly important in today's business world. According to Chan (2014), companies should care about their stakeholders' interests but at the same time, they should place more emphasis on other areas apart from solely profits making. Nonetheless, nowadays stakeholders are not only concerned about profits; they are more



interested in the operational activities regarding various economic, environmental, governance, and social factors (Chan, 2014).

The definition of CSR varies across the globe and has evolved over time. Quak, Heilbron, and van der Veen (2012) define CSR as responsibilities to society that go beyond that of making profits for the shareholders. This implies that businesses should consider carefully the impact their activities and policies bring to the host society and therefore encourages FDI sustainability, which is the focal point of this paper. It is also important to make contributions to society rather than purely focus on profit-making. Authors such as Friedman (1970) have questioned this contribution and possible benefits thereof for the foreign investor. The next sub-section sheds light into this concern as raised by Friedman (1970).

### **2.7.1. Value of Corporate Social Responsibility**

As indicated earlier, the value of practicing CSR has been questioned by authors such as Friedman (1970). He made a contentious statement where he states that the responsibility of a company is solely to make profits, a company has no obligation to exercise social responsibilities to society and contribute to government objectives at all (Friedman (1970)). However, a study by Kotler and Lee (2005) has proven that practicing CSR actually benefits companies significantly when they implement it effectively in the long term. These benefits usually result in positive spillovers for the host country.



Firstly, CSR helps boost the company's reputation and increases brand awareness (Kotler & Lee, 2005). The company becomes more standout compared to others within the same industry. This also increases sales as customers will more likely choose the one that deals with issues they care more about. Secondly, Kotler and Lee (2005) add that it reduces the operating costs. Some companies who are good corporate citizens focus their CSR efforts on environmental issues. These companies help protect the environment by reducing, recycling or reusing. They also educate employees to be more environmental friendly. Most importantly, they decrease operating costs in the long term as the company saves water, energy or other overhead expenses that are not noticeable. Thirdly, these companies become more recognisable in their CSR practice. Eventually they can reduce advertising costs on their CSR programmes. Lastly, companies with a high reputation and positive image retain employees and attract more talent to work in a socially responsible company (Kotler & Lee, 2005). Current employees feel more honored to work in a company that has implemented a great CSR programme than those who do not. Kotler and Lee (2005) have also found that about 80% of people prefer not to work in a company with bad reputation on its CSR practice.

Friedman (1970) has argued that companies are not serving the best interests of shareholders, employees, and customers if they choose to invest part of the capital into practicing CSR activities. Instead, companies should act towards their desires only, which is to be as profitable as they can be. Yet, the trend appears to be changing. Kotler and Lee (2005) state that 90% of people expect more from companies apart from making money. They further add that shareholders seek to invest in a profitable company with a higher



reputation on social aspects. Consumers emphasise more on the value, quality and brand image other than the price (Kotler & Lee, 2005). Thus, it is significant to consider having a CSR programme in today's business. CSR needs to be implemented in the organisation not just as an image building exercise, but can be a source of competitive advantage to ensure sustainable business development (Sharma & Mehta, 2012). Integrating a socially responsible culture into foreign owned companies can bring value-added benefits and result in more superior performance, it leads to a more engaged workforce, a more secure license to operate, a more loyal and satisfied customer base, better relationships with stakeholders, greater transparency, a more collaborative community, acceptance by host country government and a better ability to innovate (Eccles, Ioannou, & Serafeim, 2012).

One initiative companies often engage in is corporate philanthropy, which is also closely associated with corporate citizenship. It refers to direct contribution by a corporation to a charity or cause, most often in the form of cash grants, donations and/or in-kind services (Kotler & Lee, 2005). Many companies practice their corporate citizenship through philanthropic giving, which ranges from donating money, services, or products to nonprofit organisations, charities and communities, partnering with organisations to raise public awareness on certain issues such as environmental protection, granting scholarships to students, offering technical expertise, knowledge and skills.

In the context of CSR, Crane et al. (2008) defines governance as a company that behaves ethically and is open and transparent in its business dealings. Some of the key practices include creating a positive relationship with the community, taking stakeholders' interest



into consideration when making business decisions, conducting fair and transparent business transactions (Crane et al., 2008). Nonetheless, an ethical company not only does business ethically in front of the public; it also requires an ethical corporate climate and consistent actions behind the scenes.

Workplace, in the context of CSR, refers to an appealing place to work that treats its employees well (McElhaney, 2008). It is especially important not to omit employees in the CSR programme as employees are an important stakeholder in carrying out the company's CSR programme (McElhaney, 2008). Companies that care about their employees help increase employees' satisfaction and morale, lower turnover rate, attract more talent, ensure workplace safety, and establish excellent work relations with employees (Kotler & Lee, 2005). According to a study by McElhaney (2008), employees are more willing to take risks and bring more creative and innovative ideas to the companies that are corporately responsible and sustainable towards them by observing good employment relations pertaining to inclusivity, promotion prospects and even prior notice of employment termination such as retrenchment. The study discovers that companies that pay more attention to their employees and their well-being enjoy higher levels of customer satisfaction and customer loyalty (McElhaney, 2008).

These findings by McElhaney (2008), are supported by Kotler and Lee (2005) who state that being a socially responsible company will potentially become a competitive advantage in the long run. It will also create a win-win situation that is beneficial to the



development and reputation of the company while simultaneously contributing to the community and protecting the environment.

Zhao, Park, and Zhou, (2014) report that foreign owned companies have expressed difficulty in ensuring their operational activities are sustainable vis-à-vis host governments' objectives. This arises as the cost of becoming sustainable commonly rests on the company itself. Zhao, Park, and Zhou, (2014) further report that this may be mitigated by using smart methods and technology that may not always be costly. Additionally, support from the hosting country's government can be sought in terms of sponsorships to aid a company's operations become sustainable.

### **2.7.2. Whose responsibility is CSR?**

Some national governments promote socially and environmentally responsible corporate practices. The heightened role of government in CSR has facilitated the development of numerous CSR programmes and policies (Albareda, Lozano, & Ysa, 2007). Various governments around the world have pushed companies to develop sustainable corporate practices. CSR advocates argue that governments should set the agenda for social responsibility with laws and regulation that describe how to conduct business responsibly (Albareda, Lozano, & Ysa, 2007).

According to Armstrong and Green (2012), regulators face a complex problem if they are to improve on the welfare outcomes that arise from free-market interactions. In order to do so, they must meet basic conditions to help ensure that regulation will make the



situation better than market solutions. They further state that, welfare is likely to be reduced by a CSR or Corporate Social Investment (CSI) regulation if the regulator (Government/MNC management) fails to meet any of the following common-sense conditions:

- Know stakeholder's endowments, relationships, and preferences;
- Describe in detail how the situation could be changed to the benefit of those affected;
- Design rules that will produce the intended changes;
- Design rules that will not produce unintended changes;
- Resist pressures to modify the rules in ways that would reduce the total benefit;
- Ensure those affected by the rules know and understand them;
- Establish rewards and punishments to ensure the rules are followed;
- Establish fair procedures for resolving disputes arising from enforcement of the rules;
- Change rules when the situation changes, as with inventions or scarcities; and
- Keep the administrative costs of the rules below the value of the benefits.

The variety among foreign owned companies complicates regulatory processes for governments. This complexity brought into relief an alternative way of self-regulation of foreign owned companies which allows each corporate actor to balance profits and social responsibility without cumbersome governmental involvement. Studies suggest that



mandated CSR distorts the allocation of resources and increases the likelihood of irresponsible decisions (Armstrong & Green, 2012).

In an effort to address the above two contrasting views, an alternative is provided by Ung (2009) sheds more light. Ung (2009) states that one of the most important challenges with CSR is in defining its practice properly and effectively. In this regard, here are a few approaches possible:

- **Government/Public led initiatives**, where standards of proper corporate behaviors are defined by law makers and government agencies.
- **Industry/Private led initiatives**, where standards for good practices are shared and developed by and for the subjects of CSR themselves.
- **Civil society** also has a monitoring and public education role to play, whether through consumer protection organisations or public awareness campaigns.

This response by Ung (2009) sets the stage and attempts to involve all stakeholders of FDI to take charge in ensuring the CSR of the foreign investors by use of the various approaches as discussed in the next section below.

## **2.8. Strategies to Promote Sustainable FDI through Policy Development**

Mobilising investment and ensuring that it contributes to sustainable development is a priority for all countries. A new generation of investment policies is emerging, pursuing a broader and more intricate development policy agenda, while building or maintaining a generally favourable investment climate.



The United Nations Conference on Trade and Development (UNCTAD) (2015) brought forth the concept of new generation investment policies, which places inclusive growth and sustainable development at the heart of efforts to attract and benefit from investment. They address specific investment policy challenges at the national and international levels. At the national level, these include integrating investment policy into development strategy, incorporating sustainable development objectives in investment policy and ensuring investment policy relevance and effectiveness (UNCTAD, 2015).

UNCTAD's Investment Policy Framework consists of an overarching set of Core Principles for Investment Policymaking that serve as design criteria for three sets of operational guidelines or action menus:

- (i) Guidelines for national investment policies;
- (ii) Guidance for the design and use of International Investment Agreements (IIAs);
- and
- (iii) An action menu for the promotion of investment in sectors related to the sustainable development goals.

The guidelines for national investment policies and the action menu for the promotion of investment in sectors related to the sustainable development goals are of importance for this discussion. The UNCTAD (2015) states that the national investment policy guidelines contain advice on policy action at the strategic, normative, and administrative levels as follows:



- At the strategic level, *policymakers should ground investment policy in a broad road map for economic growth and sustainable development*. They should define the roles of public, private, domestic and especially FDI in development strategy. At this level it is also important to develop policies to harness investment for productive capacity building and to enhance international competitiveness, with critical elements including human resources and skills development, technology and know-how, infrastructure development, and enterprise development.
- At the normative level, *through the setting of rules and regulations, policymakers can promote and regulate investment that is geared towards sustainable development goals*. Positive development impacts of FDI do not always materialise automatically and FDI can have negative side-effects. Reaping the development benefits from investment requires regulations covering policy areas beyond investment policies per se, such as trade, taxation, intellectual property, competition, labour market regulation, environmental policies and access to land.
- At the administrative level, *through appropriate implementation and institutional mechanisms, policymakers can ensure the continued relevance and effectiveness of investment policies*. Measuring policy effectiveness is a critical aspect of investment policymaking. Investment policy should be based on a set of explicitly formulated policy objectives with clear priorities and time frames.



In respect of the action menu for the promotion of investment in priority sectors for sustainable development, the UNCTAD (2015) states that it presents a range of policy options to respond to the challenge of mobilising funds and channelling investment towards areas that often remain under-served by private investors. These policy options are as follows:

- *A new generation of investment promotion and facilitation.* Establishing investment development agencies to develop and market pipelines of bankable projects in relevant sectors and to actively facilitate such projects.
- *Sustainable-development-oriented investment incentives.* Transforming investment incentive schemes from purely location-based incentives towards sustainability-based incentives, aiming to promote investment in relevant sectors and conditional upon their sustainable development contribution.
- *Regional Investment Compacts.* Launching regional initiatives towards the promotion of sustainability-driven investment, especially for cross-border infrastructure development and regional clusters of firms operating in relevant sectors (e.g. green zones).
- *New forms of partnership for sustainability-driven investments.* Establishing partnerships between outward investment agencies in home countries and IPAs in host countries for the purpose of marketing relevant investment opportunities, provision of investment incentives and facilitation services for projects, and joint monitoring and impact assessment.



In an effort to design effective investment policies, policy makers and governments may encounter various challenges. To put precautionary measures in place, UNCTAD (2015) emphasise the investment policy challenges at the national level. These challenges are:

- To connect the investment policy framework to an overall development strategy or industrial development policy that works in the context of national economies, and to ensure coherence with other policy areas, including overall private sector or enterprise development, and policies in support of technological advancement, international trade and job creation.
- To ensure that investment supports sustainable development and inclusiveness objectives. Investment policy making will focus increasingly on qualitative aspects of investment. A focus on sustainable development objectives also implies that investment policies put increasing emphasis on the promotion of specific types of investment, e.g. green investments and low-carbon investment, or in more broadly defined priority sectors for sustainable development.
- To ensure continued investment policy relevance and effectiveness, building stronger institutions to implement investment policy and to manage investment policy dynamically, especially by measuring the sustainable development impact of policies and responding to changes in the policy environment.

From the above, it is clear that UNCTAD's Investment Policy Framework aims to serve as a point of reference for policymakers in formulating national investment policies, in negotiating or reviewing IIAs, and in designing concrete policy initiatives to promote



investment in priority sectors for sustainable development. A report by the UNCTAD (2015) states that the framework provides a common language for discussion and cooperation at national and international levels.

Namibia, in recasting its FDI policies to align them with this new approach to FDI, has made significant strides in attracting FDIs. Admittedly, the country faces various challenges as will be outlined elsewhere. Despite these challenges, we have witness a general increased attraction of FDI to Namibia, as shown in figure 39/appendix 7. By and large, this has been attributed by Bikalamesa (2016) to the favourable investment climate and a good legal foundation for foreign investment. Being that this paper comparatively explores RTN and Ohorongo Cement, the section below provides an overview on FDI in Namibia with a particular focus on the investment climate as well as the legal framework pertaining to FDI.

## **2.9. Namibia**

### **2.9.1. Investment Climate in Namibia**

According to Bikalamesa (2016), Namibia is a stable, democratic country, and the government is committed to stimulating economic growth and employment through foreign investment. The Ministry of Industrialisation, Trade and SME Development is the governmental authority primarily responsible for carrying out the provisions of the NIP Act (Act No. 9 of 2016). The government is increasingly emphasising the need for investors to partner with Namibian-owned companies and/or have a majority of local



employees in order to operate in the country (Bikalemesa, 2016). The need to have majority local employees to operate in the country becomes a problem if the investment requires skilled labour, which according to Flatters and Elago (2008) and the U.S. Department of State (2015), is of limited access in Namibia.

The U.S. Department of State (2015) observes that there are large Chinese foreign investments in Namibia, particularly in the uranium mining sector (over USD 3 billion since 2012, and a projected USD 6 billion by 2016). Australia is another important investor in the uranium mining sector. South Africa has considerable investments in the diamond mining and banking sectors while the United Kingdom has investment in zinc and copper mines. Foreign investors from Brazil, Spain, the United Kingdom, Netherlands, the U.S. and other countries have expressed increased interest in oil exploration off the Namibian coast. European and Chinese companies are investing in the fisheries sector.

The U.S. Department of State (2015) adds that Namibia has a relatively small domestic market, high transport costs, high energy prices, and limited access to skilled labour. These disadvantages are offset by the main factors facilitating Namibia's inward FDI: political stability; a favorable macroeconomic environment; an independent judicial system; protection of property and contractual rights; good quality of infrastructure; and easy access to South Africa. Namibia also has access to the Southern African Customs Union (SACU); the Southern African Development Community's (SADC) Free Trade Area; and markets in Europe. The investment climate is generally positive (U.S.



Department of State, 2015). The positive outlook on Namibia's investment climate by the authors above can perhaps be attributed to the legal foundation the government has laid that guides the operations of FDIs. Insight into this is provided by the section below that provides an overview on the legal framework relating to FDI in Namibia.

### **2.9.2. Legal Framework relating to FDI in Namibia**

The strategic direction together with the legislative and policy environment of a country have a profound impact on the investment climate and set the stage for foreign participation in the economy. The strategy, legislation and policies impacting on foreign investment are important for foreign investors. It fundamentally affects the “what”, “who”, and “how” of foreign investments. The nature of the regulatory framework affects the capacity of the country to attract FDI and to create sustainable agreements. FDI in any country is determined by laws pertaining to employment, labour, corporate governance, environment, social, economic and politics. These laws and policies should be coordinated to form a coherent whole and prevent any dispute that might occur and to ensure maximum benefit for all parties. Below is an overview of the legal environment in Namibia arising out of key legislations that impact on the sustainability of FDIs.

#### **2.9.2.1. The Constitution of Namibia (1990)**

There are specific clauses in Namibia's Constitution that allows for foreign investment. Article 98 (1) of the Constitution outlines the principles of economic order and states that the economic order of Namibia shall be based on a mixed economy with the objectives of



securing economic growth and prosperity for all Namibians. The above clearly permits the involvement of the private sector, which includes FDIs.

Additionally, Article 99 of the Constitution specifically proclaims that foreign investments shall be encouraged within Namibia subject to the provisions of an Investment Code to be adopted by Parliament. The amended Foreign Investment Act (Act No. 24 of 1993) has recently been replaced by the NIP Act (Act No. 9 of 2016) and guides the entrance, operations and divestment of foreign investors from the country.

#### **2.9.2.2. The Namibia Investment Promotion Act (Act No. 9 of 2016)**

The NIP Act (Act No. 9 of 2016) makes provision for the promotion of FDIs in Namibia. According to the Act, under section 2 it objects to: a) provide a clear and transparent framework for investment in Namibia; b) provide for an efficient dispute resolution mechanism involving investment; c) provide for a mechanism for inter-ministerial coordination on regulatory provisions and incentives and support mechanisms for investments; d) promote sustainable economic development and growth through the mobilisation and attraction of domestic and foreign investments that:

- i. enhance the economic development objectives of Namibia to build a prosperous, industrialised society with adequate direct investment to, among other things, encourage the creation of employment, wealth, technology transfer, capacity building, value addition to natural resources and foreign currency generation;
- ii. reduce unemployment, poverty and economic inequality in Namibia;



- iii. accelerate the growth and diversification of the Namibian economy;
- iv. facilitate domestic investments, particularly in priority economic sectors; and
- v. provide for other matters on investment promotion, admission, treatment and management.

The above reflects to SDG goal of Economy as discussed earlier which aims to promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all (UNDP, 2016).

Part 2 deals with the administration of the Act which includes Section 3: Administration and implementation of the Act, Section 4: Powers and functions of the Minister, Section 5: Performance agreements with investors, Section 6: Namibia Investment Centre and Section 7 on the integrated client service facility.

Section 5, subsections 1-4 allude to performance agreements to be entered into by the Minister, on behalf of the state, and investor. This agreement, according to the Act will be legally binding between the parties. Performance of the investor is based on the matters relating to the contributions of the investment to the development objectives of Namibia. This clause particularly evokes concerns about performance requirements. For example, joint ventures in sectors where the local partner is severely under capacitated often do not foster a productive working relationship, and can lead to much less skills and technology transfer than is intended when it is forced. This predicament is contrary to what Bikalemesa (2016) stated earlier that the Namibian government is increasingly emphasising the need for investors to partner with Namibian-owned companies.



According to section 6, the Namibia Investment Centre (NIC) continues to exist in this Act, though established by section 2 of the Foreign Investment Act (Act No. 27 of 1990). The NIC, according to section 6(2), functions to (b) to promote both foreign and domestic investment by identifying specific projects and inviting interested investors for participation in those projects.

Part 3 deals with investors, economic sectors and business activities. Section 8(1) states that the Minister, in recognition of the sustainable economic sectors, business activities and development objectives of Namibia, its national security interests and the public interest, may, by regulations, reserve certain categories of (a) economic sectors; or (b) business activities.

In the approval of investment proposals, section 14 states that in considering the application for approval of investment and in addition to any other provisions of this Act, the Minister must consider the net benefit for Namibia, taking into account - (a) the contribution of the investment to the national development, economic growth, public policy and national security objectives of Namibia; (b) the contribution of the investment to the advancement of persons who have been socially, economically or educationally disadvantaged by past discriminatory laws and practices; (c) the contribution of the investment to the implementation of programmes and policies aimed at redressing social and economic imbalances in Namibia, including gender-based imbalances; (d) the contribution of the investment towards increasing employment creation in Namibia; the contribution of the investment to the advancement of the development of a geographical



area of a low social and economic development; (f) the contribution of the investment to the transfer of technological and managerial skills, knowledge and innovation; (g) the contribution of the investment to value addition to the natural resources and manufacturing sector of Namibia; (h) the extent to which the investment will procure goods and services from the SME sector and Namibian suppliers in general; and (i) the impact on the environment and contribution to environmental benefits and any other factors the Minister may prescribe.

Part 5 deals with the rights and obligations of investors. Section 18 adds that investors must carry out their activities at all times in full compliance with all the applicable laws of Namibia. These include among others, the amended Labour Amendment Act (Act No. 2 of 2012), the National Environmental Health Policy (2002), the IIP Act (2002) and the amended EPZ Act (Act 9 of 1995).

#### **2.9.2.3. The Export Processing Zone Act (Act No. 9 1995), as amended**

The amended EPZ Act (Act No. 9 1995), as contained in the preamble is to provide for the establishment, development and management of EPZs in Namibia and facilitate matters incidental thereto. The purpose and objective of the Act as contained in section 3 is to:

- Attract, promote or increase the manufacture of export goods
- Create or increase industrial employment
- Create or expand export earnings
- Create and expand industrial investment, through foreign investment; and



- Encourage transfer of technology and development of management and skills in labour in Namibia.

Section 16 (1) of the amended EPZ Act (Act No. 9 of 1995) states that no property in an EPZ shall be expropriated except in accordance with the provisions of the Expropriation Ordinance, 1978 (Ordinance 13 of 1978) and subject to the provisions of Article 16(2) of the Namibian Constitution. Furthermore, this advocates for the respect of property rights in Namibia. The respect of property rights is one of the determinants of FDI especially in the manufacturing sector. Where property rights are expropriated, Government of Namibia shall, subject to the provisions of section 17, (dealing with the settlement of dispute by arbitration) pay to the owner of such property just compensation in respect of such expropriation without undue delay and in freely convertible currency.

According to the amended EPZ Act (Act No. 9 1995), the incentives designed for the EPZ's are as follows:

- EPZ enterprises are allowed to hold foreign currency accounts in local banks.
- Enjoy industrial calm as no lockout or strike is allowed in the EPZ regime.
- Companies are allowed to locate their companies anywhere in Namibia.
- Through the Offshore Development Company (ODC), EPZ enterprises have access to factory facilities, which are rented at economical rates.

EPZ companies investing in upgrading skills and productivity of Namibian workers receive a grant to cover a substantial part of the direct costs of on-the-job and institutional training.



#### **2.9.2.4. Infant Industry Protection**

Namibia is a member of the SACU and therefore the 2002 SACU Agreement that has provisions for Infant Industry Protection (IIP) apply. Article 26 of the 2002 SACU Agreement provides for the protection of infant industries in all member states, with the exception of South Africa. To this end, Keck and Low (2004) state that developing countries should have the right to restrict imports to a greater degree than developed countries.

Article 26 of the 2002 SACU Agreement defines an infant industry and the instances when protection under this article may be invoked. An “infant industry” in article 26 is defined as an industry which has been established in the area of a member state for not more than 8 years. Such an industry may be granted temporary protection for a period not exceeding 8 years, after which the Council of Ministers (CoM) may, or may not impose further conditions as it deems appropriate. The protection of an industry that qualifies as above is to be implemented by means of temporary import duties on goods imported into the area where the industry is located. This is done to enable it to meet competition from other producers or manufacturers in the Common Customs Area (CCA). The provision for this allowance is that the temporary duties must be levied equally on all like products grown, produced or manufactured in other parts of the customs union.

The definition of an infant industry in SACU needs some attention. The requirement that an infant industry must have been established in a member state for a period of not more than 8 years creates a problem for member states’ industries with genuine concerns. For



example, what would happen to an industry that has been “established” but does not carry out business on a commercial level until after 8 years? Such an industry is clearly not infant by definition. However, in practice it is because it only after the lapse of eight years, starts to produce on a large scale and therefore is still small and exposed to competition. Therefore, article 26 is not clear with regards to the criteria to be used to determine what an infant industry is.

Namibia has recognised the provisions of IIP in the 2002 SACU Agreement and has, among others, granted IIP status to cement manufacturing industry in which Ohorongo Cement operates. According to Roux (2012), almost at the same time as going into production, Ohorongo Cement was awarded IIP. Under IIP, import tariffs are applied on imported products for 8 years to give local manufacturers an opportunity to grow. In addition, a 60% levy on cement imports was imposed by the government, to be reduced to 54% by 2015, and lowered each consecutive year until 2018, when the import levy on foreign cement would be reduced to 12%.

#### **2.9.2.5. Namibia’s Industrial Policy (2013)**

Namibia’s Industrial Policy of (2013) is a policy document that facilitates the identification and removal of constraints to growth in priority sectors driven by the private sector, but equally preparing government to initiate and incubate industrialisation.

The vision of Namibia’s Industrial Policy is anchored in Vision 2030 as depicted in later sections below. According to the policy, by the year 2030, Namibia should be characterised as a prosperous and industrialised country, developed by her human



resources, enjoying peace, harmony and political stability (Republic of Namibia, 2013).

The policy further states that, as an industrialised nation, Namibia should be characterised by:

- a) A high level of household income, based on purchasing power parity exchange rates to take into account that one US dollar at market-based exchange rates does not have the same value in all countries;
- b) A more equitable distribution of income, as reflected in a reduction of the Gini-coefficient, while at the same time growing the size of the Namibian economy; and
- c) A high human development index, reflecting high standards of education, health and other social development indicators.

In terms of the production and export structure, the policy adds that Namibia would have built the bridge from producing and exporting predominantly primary commodities to offering value added and service-orientated products (Republic of Namibia, 2013). The production and export structure would also be more diverse, enabling the economy to better withstand exogenous shocks. Moreover, Namibian society will be characterised as being knowledge and innovation-based, and as having a competitive and sustainable ‘green’ economy, with high employment levels and social justice. In other words, wealth would be shared equitably. In a nutshell, our future will be characterised by a significant improvement in quality of life for all people, and the economy will be competitive and



resilient enough to adapt quickly to rapid changes and external shocks (Republic of Namibia, 2013).

The specific objectives of industrialisation are also outlined in Vision 2030. The Vision emphasises the importance of a change in production structure, a change in export structure, and the contribution to be made to wealth creation by small- and medium-scale enterprises (SMEs). Vision 2030 also emphasises the need for job creation and labour-intensive growth strategies (Republic of Namibia, 2004). More specifically, the Vision states that, by 2030, the following targets with respect to industrialisation would have been achieved:

- a) The manufacturing and services sectors constitute about 80% of the country's gross domestic product (GDP);
- b) The country largely exports processed goods, which account for not less than 70% of total exports;
- c) Namibia has an established network of modern infrastructure that includes railways, roads, telecommunications and port facilities; and
- d) Namibia has a critical mass of knowledge workers, and the contribution of SMEs to GDP is not less than 30%.

Clearly, the attainment of the above vision and objectives as depicted in Namibia's Industrial Policy can only be achieved by the use of various sustainable measures towards industrialisation. A key and potentially forceful stakeholder in this would be foreign investors. As later discussed by Tirimba and Macharia (2014), foreign investors aid in the



industrialisation process by filling the savings gap, trade gap, revenue gap, and management/technological gap. These, however, can only be beneficial in the longrun to Namibia if foreign investors are engaged by relevant stakeholders through adequately designed laws and policies that are premised on the principles of sustainability. In an effort to have a well structured implementation strategy of the Industrial Policy, the Growth at Home Strategy was adopted. This strategy is discussed in the subsection below.

#### **2.9.2.5.1. Growth at Home Strategy**

Growth at Home is Namibia's Industrial Policy Implementation Strategy. In other words Growth at Home provides a road map for the execution of Namibia's Industrial Policy. It must be seen in the context of Vision 2030, Industrial Policy and the current NDP4. It focuses on three Strategic Intervention Areas that have been derived from the Policy framework, sector consultations, and stakeholder discussions, including the growth at home conference (Republic of Namibia, 2013).

According to the strategy, Growth at home focuses on three strategic intervention areas:

- Supporting value addition, upgrading and diversification for sustained growth;
- Securing market access at home and abroad; and
- Improving the investment climate and conditions.

The above, which is aimed at facilitating the implementation of the Industrial Policy of 2013, through its strategic intervention areas would clearly be expedited through the



developmental support that can be provided by FDI as discussed by Nyambura (2013), and Tirimba and Macharia (2014) in later sections.

#### **2.9.2.6. The Labour Amendment Act (Act No. 2 of 2012), as amended**

The amended Labour Amendment Act (Act No. 2 of 2012) allows for the formation of independent trade unions to protect the rights of workers and to promote sound labour relations and fair employment practices. The Act stipulates basic conditions of employment, prohibits discrimination in the workplace and establishes new protection for pregnant workers as well as employees infected with HIV/AIDS (Republic of Namibia, 2012). The Act provides for arbitration and conciliation as a means to resolve labour disputes more efficiently and quickly. The Act also prohibits the hiring of temporary or contract workers. The Act furthermore makes provision for the registration of rights and duties of Trade Unions; the appointment, powers, duties and function of the Labour Commissioner and inspectors; the establishment of a Labour Advisory Council; a Labour Court, District labour Courts and a Wage Commission (Republic of Namibia, 2012). Other pieces of legislation relating to the labour market in Namibia include:

- The amended Employees Compensation Act (Act No. 30 of 1941) makes provision for the compensation of workers or their dependents if the worker is injured or killed in the course of employment (Republic of Namibia, 1941).
- The Affirmative Action (Employment) Amendment Act (Act No. 6 of 2007) established the Employment Enquiry Council and provides for affirmative action



measures to achieve equal opportunities in employment for racially disadvantaged persons, women and persons with disabilities (Republic of Namibia, 2007).

- Social Security Act (Act No. 34 of 1994) makes provision for the payment of maternity leave benefits, sick leave benefits and death benefits to employees and to establish for that purpose the maternity leave, sick leave and Death Benefit Fund; to provide for the payment of medical benefits to employees and to establish for that purpose the National Medical Benefit Fund (Republic of Namibia, 1994). The Act further makes provision for the payment of pension benefits to retired employees and to establish for that purpose the National Pension Fund; to provide for the funding of training schemes for disadvantaged, unemployed persons and to establish for that purpose the Development Fund; and to provide for incidental matters (Republic of Namibia, 1994).

From an FDI perspective, it is important that all labour issues be addressed properly in terms of the acts related to employment issues in order to ensure that FDI's in Namibia succeed and are sustainable. Compliance to these laws by foreign investors is particularly important in ensuring sustainable employment to the locals.

#### **2.9.2.7. The National Environmental Health Policy (2002)**

The National Environmental Health Policy, adopted in March 2002, reaffirms the continued commitment of the Ministry of Health and Social Services to improve Namibians' working and living conditions and to equip the environmental health services to be able to deal with new and evolving hazards and risks, as well as increasing its



capacity to tackle the existing ones. According to the policy, one of its objectives is to maintain and support the health and social well-being of the population through preventative, promotive and disease control efforts in collaboration with relevant partners, in particular the communities concerned (Republic of Namibia, 2002). This implies and speaks to the workplace Namibians are subjected to. Foreign owned companies should maintain a high standard of working conditions, especially those that may be of a hazardous nature.

#### **2.9.2.8. Vision 2030**

Namibia's Vision 2030 presents a long term plan to improve the general welfare of the Namibian society to the level of their counterparts in the developed world. Vision 2030 is a framework that defines the current situation and indicates where Namibia wants to be in the year 2030 and how to get there. Vision 2030 is designed as a broad, unifying vision which serves the country's five year development plans from NDP1 through to NDP7 (Republic of Namibia, 2004).

Chapter 6 of the Vision 2030 document speaks to the various enablers of development. The encouragement of more FDI has been identified as a strategy to achieving increased Development Co-operation (Republic of Namibia, 2004).

From the above mentioned, it is clear that FDIs have been acknowledged as a key strategy in achieving increased development cooperation as part of enabling environment creators towards increased and sustained development as stipulated in Vision 2030. Vision 2030 therefore allows and gives rise to a number of FDI opportunities. As referred to earlier,



Vision 2030 gave birth to 5 year development plans. We are currently in NDP4 (2012/13 – 2016/17). Insight into NDP4 is provided below.

#### **2.9.2.9. National Development Plan 4 (2012/13 – 2016/17)**

After independence in 1990, the newly democratic elected government acknowledged the importance of planning as an integral part of economic and social development. In the first five years after independence, the government adopted a Transitional Development Plan (TDP). In 1995, the first formal National Development Plan (NDP) was implemented and known as NDP1. The NDP 1 focused on four goals, namely: boosting and sustaining economic growth; creating employment; reducing inequalities in income distribution; and reducing poverty.

Twelve years later in 2007/8, NDP3 came into effect. In this NDP, the goals were 21. Of this 21 goals, four were the same as NDP 1 and NDP2, namely; income equality; high economic growth; increased employment; and the eradication of poverty.

The main aim of NDP4 is to focus on the execution of development strategies as well as monitoring and evaluation of development activities. Furthermore, NDP4 is characterised by fewer and more carefully selected goals and targets. The three overarching goals are: to achieve high and sustained economic growth, increased income equality and employment creation. Furthermore, NDP4 focuses on the following economic sectors that will result in economic growth, namely: logistics; tourism; manufacturing; and agriculture.



The manufacturing sector is of particular interest to this paper. This is because, in Namibia, the manufacturing sector has since independence created the most employment opportunities and has resulted in significant contributions to the country's GDP (Republic of Namibia, 2012). According to the Plan, Namibia has managed to attract mostly foreign investors in the manufacturing sector, these are: Rossing Mine, Langer Heinrich, Uramine Namibia, Valencia Uranium (Republic of Namibia, 2012). According to the SACU (2008), the exploration of uranium in Namibia has increased significantly over the last few years, and accounts for a major share of FDI flow into the mining sector.

The manufacturing sector, among others, has demonstrated significant multiplier effects on the economy, and therefore will stimulate economic growth and job creation in other sectors as well. It is of this background that emphasis has been placed by this paper on the importance of FDI for sustainable development in general.

#### **2.9.2.10. Harambee Prosperity Plan (2016/17 – 2019/20)**

The Harambee Prosperity Plan (HPP) is a targeted Action Plan to accelerate development in clearly defined priority areas, which lays the basis for attaining prosperity in Namibia. The plan does not replace, but complements the long-term goal of the NDP4 and Vision 2030. HPP introduces an element of flexibility in the Namibian planning system by fast tracking development in areas where progress is insufficient (Republic of Namibia, 2016). It also incorporates new development opportunities and aims to address challenges that have emerged after the formulation of NDPs.



The HPP is constructed around the Namibian narrative of the Namibian House. It acknowledges that we are not starting afresh, but that we can continue with the construct of an inclusive Namibian House that is built on a solid foundation of peace, reconciliation, security and stability. The Plan aims to usher in the epoch of Prosperity (Republic of Namibia, 2016). The Plan is built on four pillars that are made up of sub-pillars, to form the frame/structure of a House. These pillars are:

- Effective Governance;
- Economic Advancement;
- Social Progression; and
- Infrastructure Development.

The plan acknowledges that substantial FDI inflows was witnessed in the preceding years, primarily in the mining sector, which enjoys a globally conducive trade environment. The investment climate in Namibia is conducive not only for the mining sector, but also for all other economic sectors. The NIP Act (Act 9 of 2016) protects the rights of foreign investors in Namibia. Evidently, the HPP has identified FDI as essential to attaining the goals and objectives of the plan. However, the need to attract FDI that is sustainable remains pivotal.

## **2.10. Conclusion**

The four main theories of FDI as depicted in the literature review provided the defining parameters that determine foreign investor investment choices and thus proved to be pivotal for host country's strategies for FDI attraction. The importance of FDI to host



country economies has generally been agreed upon, especially in the advent of globalisation where governments can no longer do it on their own in keeping up with development. The issue of CSR was brought forth by various authors such as Albareda, Lozano and Ysa (2007), and Armstrong and Green (2012) who initially disagreed on who the responsibility for ensuring CSR falls. An attempt to solve this disagreement was made by using the views of Ung (2009) who states that responsibility lies with all stakeholders of the concerned foreign owned company. Various strategies on how to promote sustainable FDI have been provided. The legislations pertaining to FDI in Namibia provided an overview of the legal, regulatory and political environment in Namibia.

The ambiguities of the provisions of the Acts discussed above allow foreign owned companies greater leverage vis-à-vis government. The Acts similarly do not dictate the conditions under which foreign owned companies may exit the country so as to minimise the after effects that may arise. Indeed, the various Acts do not sufficiently promote the satisfaction of local and national goals and interests. What has become clear from the reviewed literature is the absence of adequate emphasis on sustainable FDI and the role it can play in aiding with development of a country. In an effort to address the above, a research methodology is critical to providing guidance on the methods that were employed in addressing these concerns. The next chapter provides a detailed account of the various issues that were covered in the research methodology.



## **CHAPTER 3: RESEARCH METHODOLOGY**

### **3.1. Introduction**

This chapter addresses the methodology that will be used to explore the research problem and answer the research questions. This will be done by outlining the various research components pertaining to the research design, population, sample, research instruments, procedure, data analysis as well as the ethical considerations.

### **3.2. Research design**

The study was conducted using the mixed research method comprising both qualitative and quantitative research designs. This was done to ensure there is sufficient data collected that would consequently increase the validity of the research outcomes. Qualitative interviews were utilised mainly because the interview process enabled the researcher to understand the perspective of the participants in an in-depth manner. Open-ended interviews allowed the researcher to ask more detailed questions. In an effort to gain a full understanding and perspective of the respondent, this method permitted the researcher to ask follow up questions.

As part of the quantitative method, structured questionnaires and a rating assessment were used. Questionnaires were used to obtain information from the former RTN employees and current employees of Ohorongo Cement. Questionnaires were selected as method of data collection due to the nature of the research topic and for the reason that the responses would be gathered in a standardised way, thus the data obtained was objective. In addition



to the interviews held with individuals from stakeholder organisations, they were also required to complete a rating assessment on RTN and Ohorongo Cement.

### **3.3. Population**

The study was based on the employees who are/were directly involved and affected by the operations of RTN and Ohorongo Cement. Identified stakeholder organisations for this study are six. These are the Ministry of Industrialisation, Trade and SME Development (Namibia Investment Centre), Ministry of Finance; Labour Resource and Research Institute; Labour Researcher and Educator, IJG Securities and Ohorongo Cement. Additionally, the population comprised of 7,000 former RTN employees (Flatters & Elago, 2008) and 330 current employees of Ohorongo Cement (Russel & Cohn, 2013). The total population for the study is 7,330.

### **3.4. Sample**

The sample group consisted of 30 former RTN employees, 30 current employees of Ohorongo Cement as well as 1 individual each from the identified 6 stakeholder organisations. The total sample for the study was 66 respondents. The researcher employed non-random sampling methods. Purposive sampling and snowball sampling methods were used to obtain the sample. Purposive or judgmental sampling was used by the researcher due to the nature of the research topic which required participants who have had experience with RTN and Ohorongo Cement as well as specific individuals with distinct knowledge and expertise on the subject matter. Snowball sampling was utilised to



locate the former RTN employees. Trade union membership records obtained from the Namibia Food and Allied Workers Union (NAFAU) also aided in locating the former RTN employees. This is due to the fact that the RTN is long gone and some former employees have relocated to other towns.

### **3.5. Research instruments**

During the qualitative interviews, the researcher was directed by an interview schedule that contained all the questions to be posed to participants in a predetermined sequence. A scale from extremely good to extremely poor was used to rate RTN and Ohorongo Cement in terms of their contribution to economic, social, environment and governance indicators of the country. Moreover, all interviews were recorded using a multimedia recorder. Structured questionnaires were also used to obtain data for the quantitative survey.

### **3.6. Procedure**

The process of conducting qualitative interviews was characterised by the researcher asking the participants a series of questions of which they were required to respond to, if comfortable with the posed question. In addition, the whole process during the interview sessions was directed by the researcher and all correspondences were recorded on a multimedia recorder. Consent to have the interview recorded was obtained from the research participant before the interview could officially commence. Quantitatively, the structured questionnaires were filled out by the researcher with information provided by



the participants. Individuals from the stakeholder organisations completed the assessment rating after the interview was done.

### **3.7. Data analysis**

Information from interviews was transcribed and coded in a comprehensive manner that would make participant responses appear in clear and sensible way through thematic analysis. Furthermore, the use of open-ended questions, in some cases, resulted in information given by the participant that is irrelevant to the study at hand and the researcher, therefore, had to filter such information in preparation of presenting the research findings. Information obtained from the structured questionnaires and assessment rating scale was analysed and processed using the Microsoft Office Excel Package programme and presented in graphs, charts, tables and text.

### **3.8. Research ethics**

An ethical problem the researcher encountered was informed consent; this means that prospective research participants were to be fully informed as to how exactly they were to participate in the research. The use of coercion, incentives and bribery by the researcher to propel anyone to take part in the research interviews were, therefore, not used. Furthermore, participants were free to withdraw from the interviews at any time if they wish, and were be informed accordingly upon the commencement of interview. Information obtained from the respondents was stored on the completed questionnaires as well as a multimedia recorder. These were kept in a safe for a period no longer than 7



months to allow for completion of this study, after which the completed questionnaires and the memory card of the multimedia recorder were destroyed by burning it.

### **3.9. Conclusion**

The chapter focused on the research design that was used to carry out the research. The population, sample size, research instruments, data collection procedure, data analysis and ethical considerations were also looked at in this chapter. The next chapter focuses on the presentation of data, analysis and discussion of the findings.



## CHAPTER 4: DATA PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS

### 4.1. Introduction

This chapter presents the data and discusses the findings and analysis.

### 4.2. Findings and discussions

#### 4.2.1. Findings obtained from structured questionnaire

##### 4.2.1.1. Response rate

<b>Sample</b>	<b>Frequency</b>	<b>Percent (%)</b>
Former Ramatex Textiles Namibia Employees	30	45
Current Ohorongo Cement Employees	30	45
Individuals from stakeholder organisations	6	10
<b>Total</b>	<b>66</b>	<b>100</b>

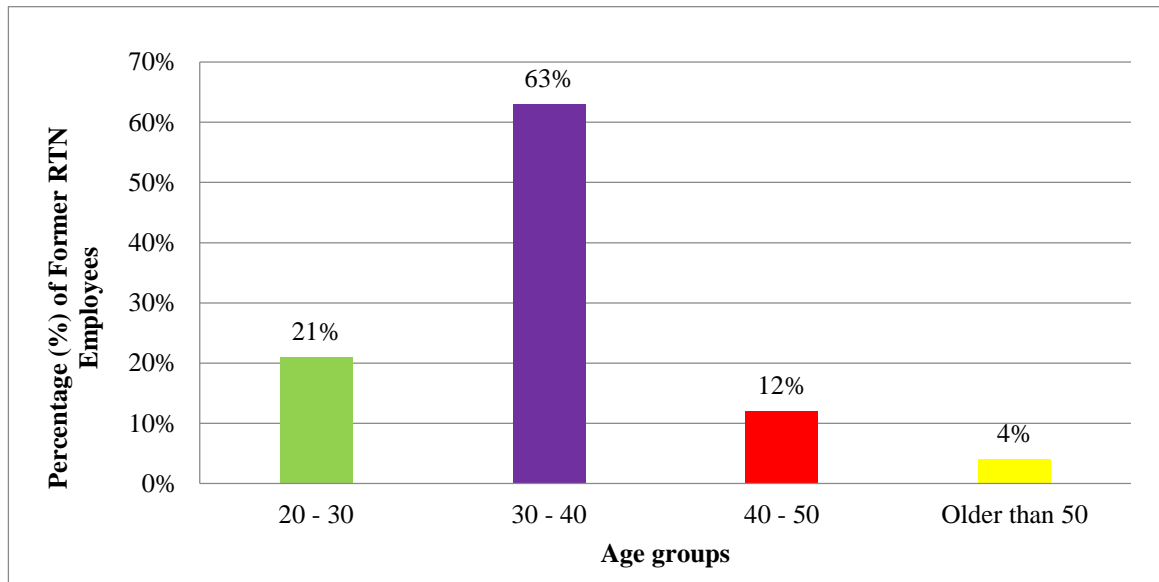
*Table 2: Response rate (N=67)*

A response rate of 100% was achieved from sample of 66 respondents that participated in the survey. 60 respondents aided in the completion of the questionnaires while 6 individuals from stakeholder organisations were interviewed. The high response rate was attributed to the constant telephone calls made prior to the distribution of the questionnaires and vigorous efforts at trying to secure appointments with persons from the identified stakeholder organisations.



#### 4.2.1.2. Responses from the former employees of RTN

##### 4.2.1.2.1. Age groups of respondents

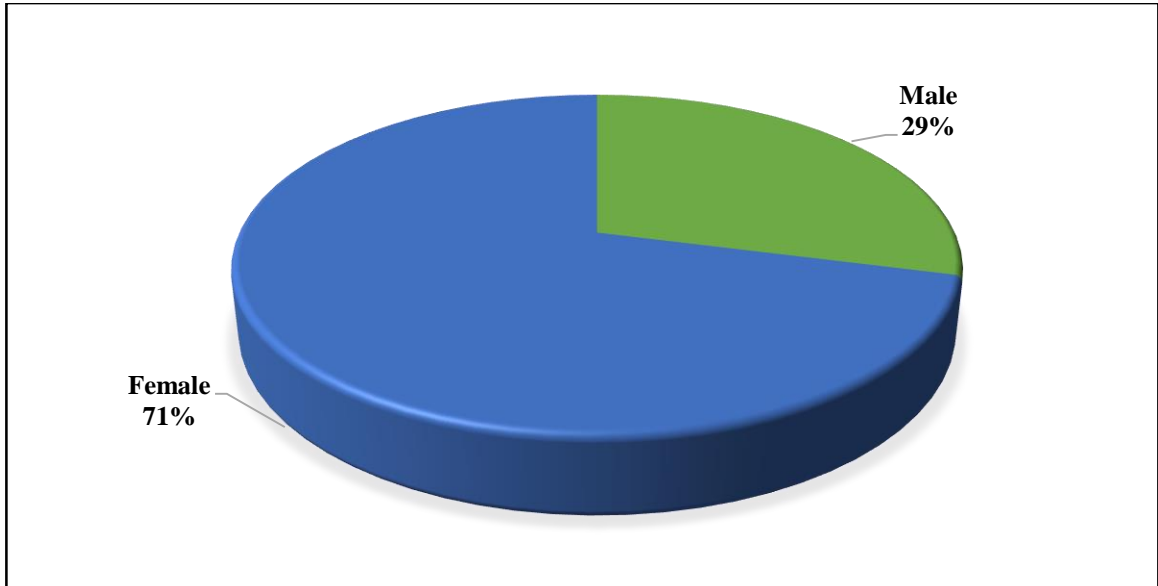


*Figure 1: Age groups*

As shown in figure 1, the graph depicts the age groups of the former RTN employees that participated in the study. The age group of 30-40 years recorded the highest number of people amounting to 63%, followed by the 20-30 years age group which recorded 21%. The 40-50 years age group had 12% of the participants and those over the age of 50 constituted 4%, being the lowest age group recorded among sampled employees.



#### 4.2.1.2.2. Gender of respondents

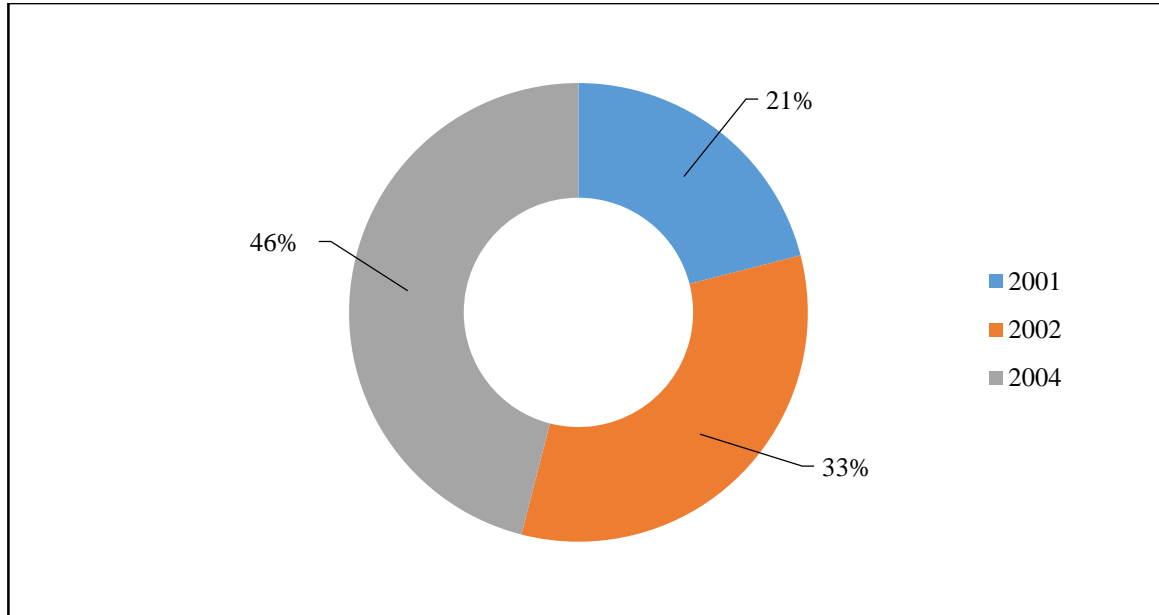


*Figure 2: Gender of respondents*

Figure 2 depicts the gender disparities of the respondents. The difference in the number of males or females that took part in the study was not deliberate, but was solely based on the willingness of the participants to engage in the study. The number of females was higher than males as they amounted to 71%, whereas the males were only 29% of the sample. This indicates that RTN employed more females than males.



#### 4.2.1.2.3. Year of employment commencement

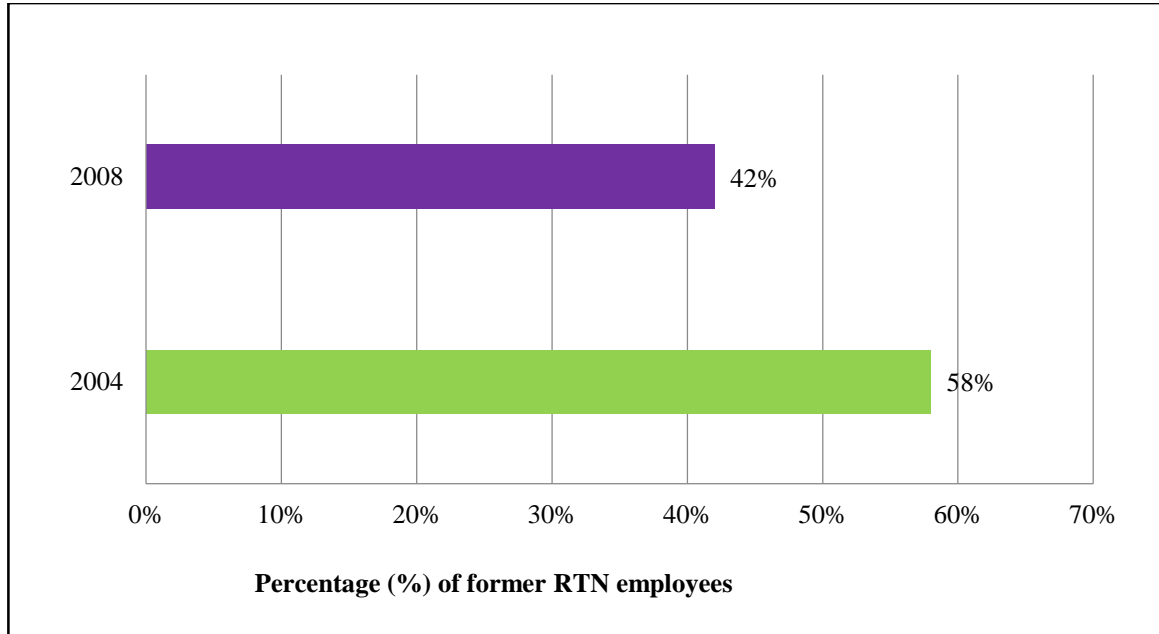


*Figure 3: Year of employment commencement*

Figure 3 shows the dates in which the former RTN employees started working at the factory. Based on the sample, the year 2004 recorded the highest number of new recruits amounting to 46%. This was due to labour relations problems outlined earlier. A strike took place in the same year (2004) and witnessed a substantial number of employees being laid off, thereby signifying the large percentage (46%) of new recruits that were needed to fill the gap. In 2001, 21% of the sample was recruited upon the opening of the factory and a 33% increase of workers in 2002 as the factory expanded its operations that required more labourers.



#### 4.2.1.2.4. Year of employment termination



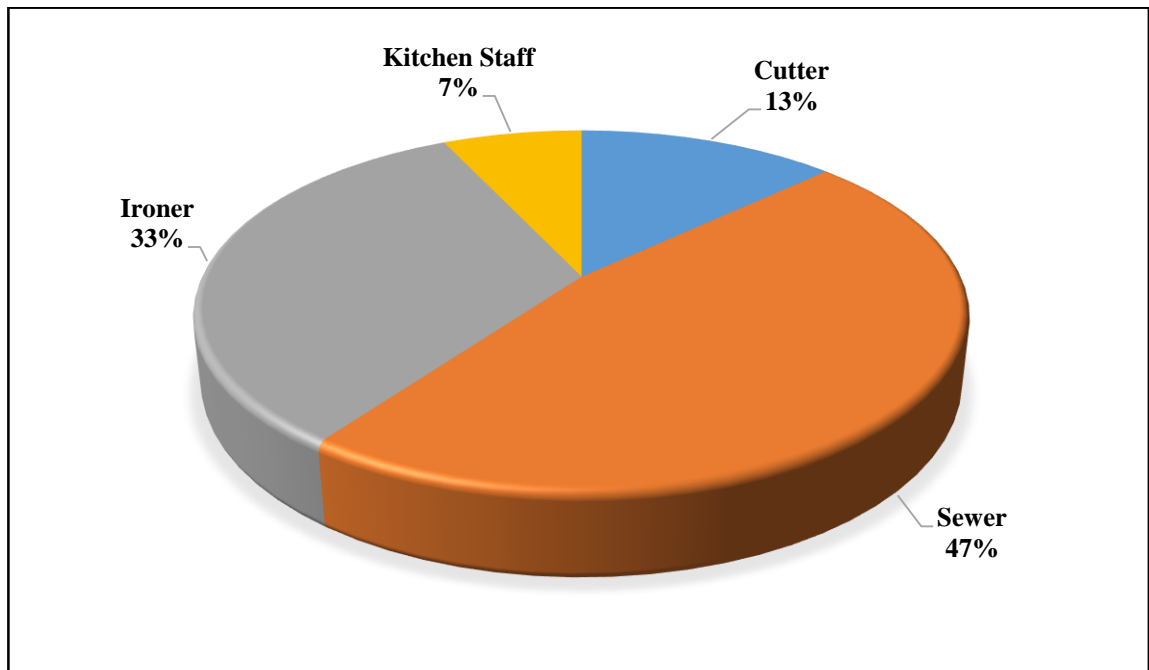
*Figure 4: Year of employment termination*

Figure 4 above depicts the year in which the former RTN employees lost their jobs. There were two incidences that resulted in RTN employees losing their jobs. The first was in 2004, which saw 58% of the sampled employees being laid off after being accused of master minding a strike. The second incidence was in 2008, where 42% of the employees lost their jobs when RTN relocated from the country. The above results suggest that most of the employees were not in employment at RTN for more than 4 years. In comparing figure 4 with 3, one will deduce that the above is congruent with the earlier statement that labour costs in Namibia are very low (LaRRI 2003). Low labour costs in the country appear to have made it easy for the management of RTN to fire those suspected of planning a strike and recruit new people. Despite the low wages these employees received, the alternatives were unemployment. The above stems to be true in the sense that low



labour costs in a country/region usually lures a foreign investor, as was the case with RTN. Clearly, this shows the deficiency of sustainable practices in the management of employees by the management of RTN. Additionally, the above is found to contradict McElhaney (2008), who earlier stated that, as part of sustainable employment practices, employees should receive prior notice of employment termination. The absence of prior notice of employment termination poses a challenge for sustainable FDI as advocated for by the NIP Act (Act 9 of 2016).

#### 4.2.1.2.5. Frequency of occupied positions



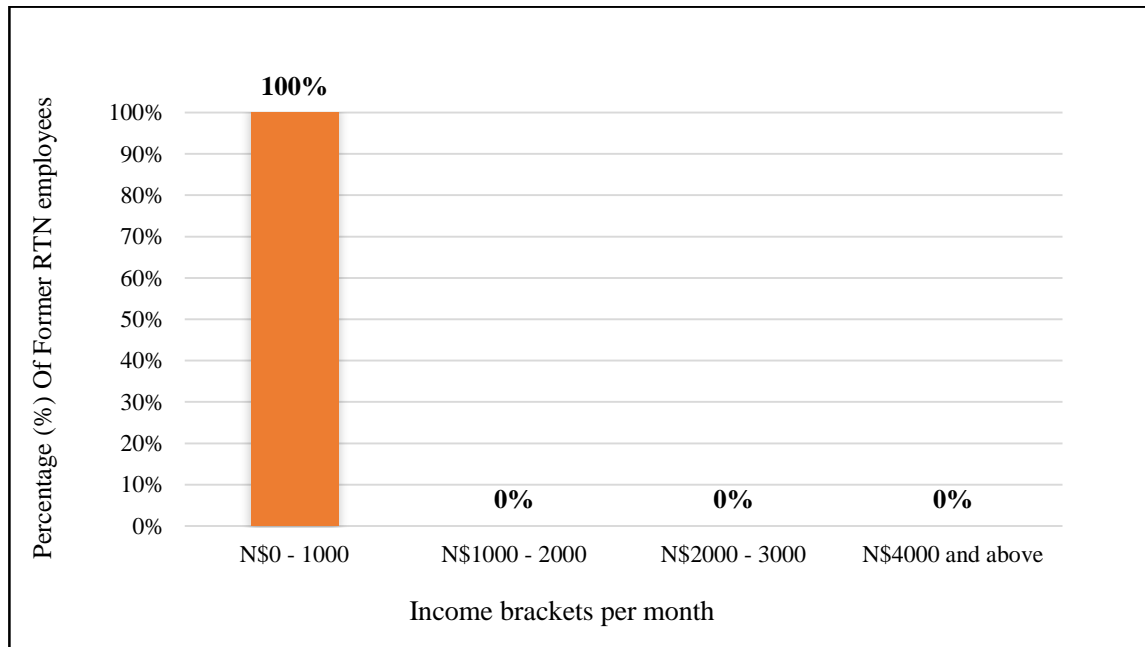
*Figure 5: Positions*

Figure 5 above shows the frequency of the various jobs/positions the sampled employees occupied at RTN. 13% were employed as Cutters, while 47% were sewers, which were



the highest, recorded among the sampled employees. Additionally, 33% were Ironers and 7% were part of the Kitchen Staff.

#### 4.2.1.2.6. Income bracket



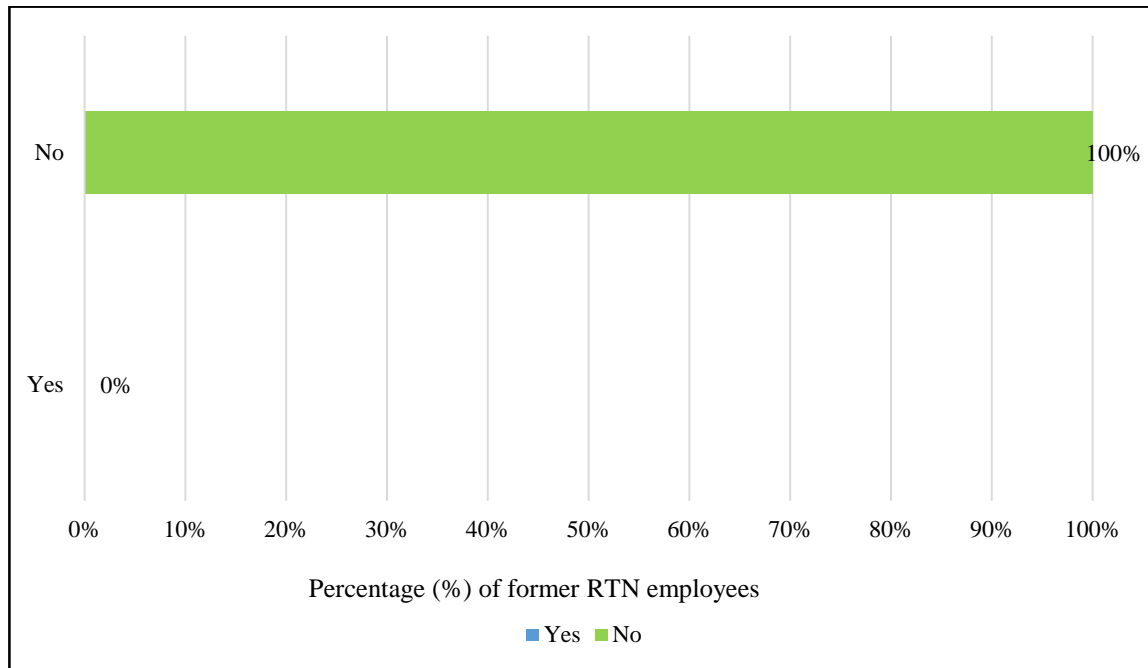
*Figure 6: Income bracket*

Figure 6 above shows the income brackets of the former RTN employees. 0% of the employees received a monthly salary in the income brackets: N\$ 1000 – 2000; N\$ 2000 – 3000; and N\$ 4000 and above. Consequently, a 100% of the sampled employees received an income of between N\$ 0 – 1000. Literature opposes this and emphasises that although FDIs may increase employment opportunities, it need to be sustainable with sustainable salaries/wages based on the rank/level of various positions within a company. Realising this will allow employees to lead a sustainable life free from extensive debt. This is



supported by Kurtishi-Kastrati (2013) who states the determination of incomes to employees by foreign investors should consider the inflation rate of the host country.

#### 4.2.1.2.7. Employment/fringe benefits



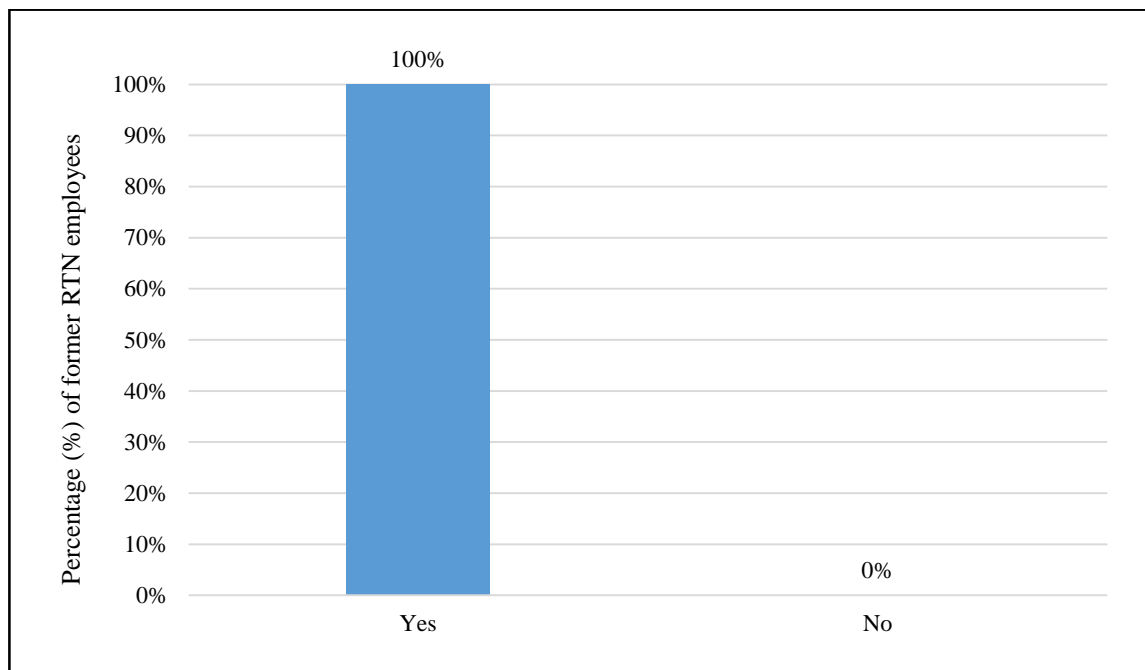
*Figure 7: Receipt of employment benefits*

Figure 7 above presents the incidence of former RTN employees receiving employment/fringe benefits. 100% of the employees indicated that they did not receive any fringe benefits. This is in contrast to literature that argues that employee well-being is increased through the provision of fringe benefits, that include health insurance, leave days for holiday and medical reasons, meals and transport to mention but a few. The above is reinforced by literature that is of the conviction that companies that care about their employees help increase employees' satisfaction and morale, lower turnover rate, attract more talent, ensure workplace safety, and establish excellent work relations with



employees. The lack of employment benefits as illustrated in figure 7 above, and the insufficient provision of protective clothing as depicted in figure 8 below, to the former employees of RTN would according to literature be one of the factors that show the employing company does not care about its employees. In addition, the lack of provision of employment benefits as shown above is in direct contravention of the Social Security Act (Act 34 of 1994). This Act makes provision for the payment of, inter alia, maternity leave benefits, sick leave benefits and death benefits to employees.

#### 4.2.1.2.8. Frequency of exposure to hazards at the workplace



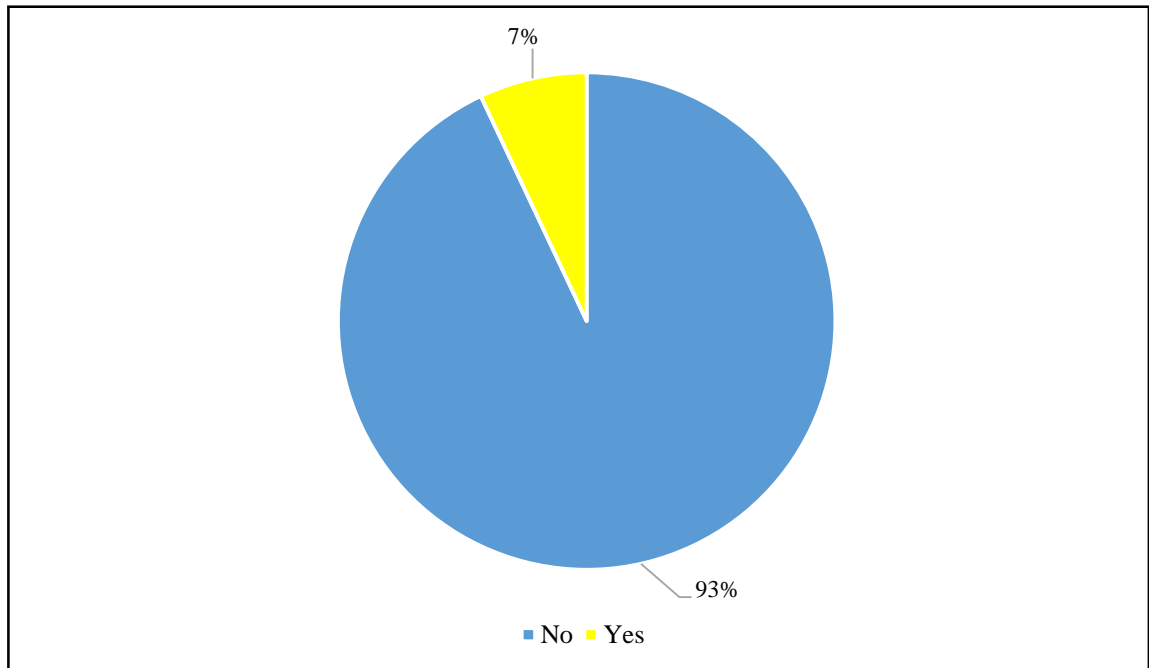
*Figure 8: Frequency of exposure to hazards at the workplace*

Figure 8 above indicates that 100% of the sampled employees were exposed to hazards at their place of employment at RTN. Evidently, this contradicts the Environmental Health Policy (2002), which aims to maintain and support the health and social well-being of the



population through preventative and promotive measures. This clearly includes employees in workplaces.

#### 4.2.1.2.9. Provision of protective clothing at the workplace



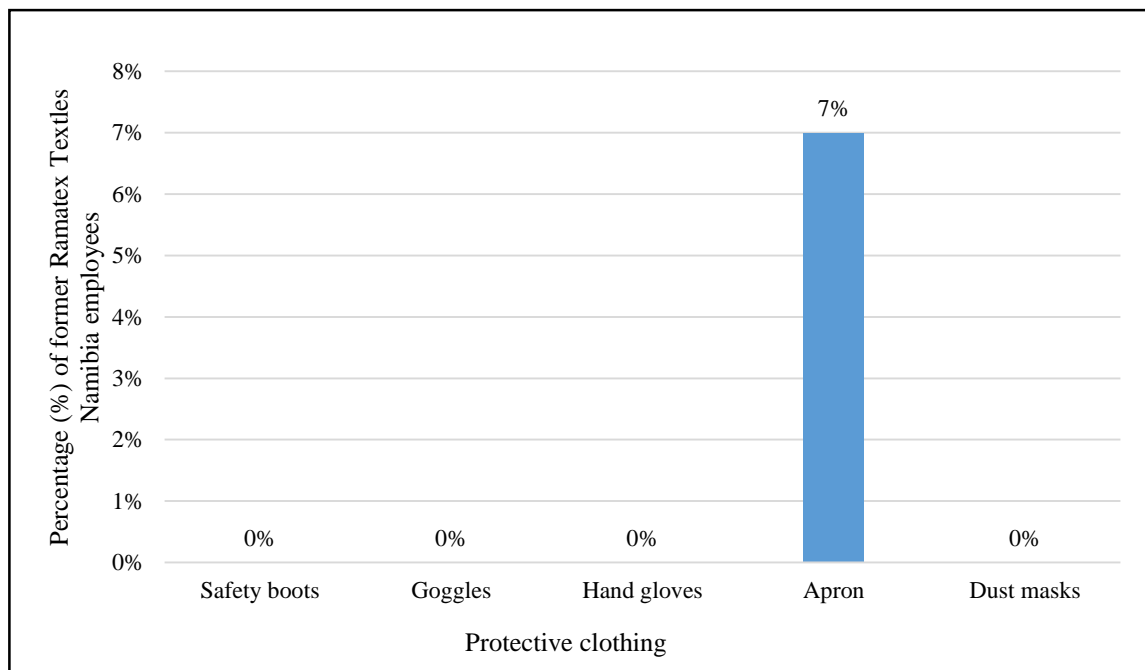
*Figure 9: Provision of protective clothing at the workplace*

Figure 9 above provides the percentage of the former employees of RTN that have been provided with protective clothing in the workplace. 93% have indicated that they have not received any form of protective clothing, while the remaining 7% indicated that they have received protective clothing. The 7% that received protective clothing, were the kitchen staff who according to figure 10 below wore only aprons. The above is in direct violation of a number of laws. Firstly, the amended Labour Amendment Act (Act No. 2 of 2012) states that Namibian employees should be subjected to safe work environments through the provision of protective clothing where needed by the employing



organisation/institution. In addition, the National Environmental Health Policy (2002) aims to maintain and support the health and social well-being of the population through preventative and promotive measures. This clearly includes employees in workplaces. The results as depicted in figure 8 above are in contrast to the objectives of the amended Labour Amendment Act (Act No. 2 of 2012) and the National Environmental Health Policy (2002).

#### 4.2.1.2.10. Protective clothing provided



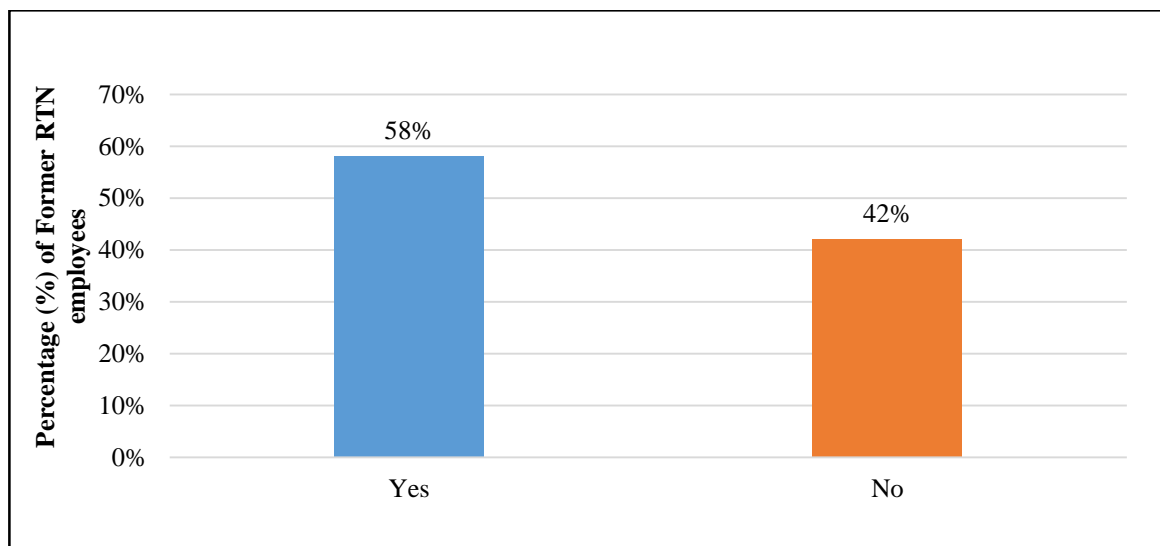
*Figure 10: Protective clothing provided*

Figure 10 above shows the type of protective clothing the former RTN employees received. It appears, only 7%, as indicated earlier in figure 9, had received an apron. Safety boots, goggles, hand gloves, dust masks and any other clothing or equipment to promote the safety of the employees were not provided. From the obtained data, and as depicted



by figure 5, only the kitchen staff received aprons. The cutters, sewers and ironers were not provided with any protective clothing or equipment despite them being exposed to hazards. This constitutes unfair labour practice as the cutters, sewers and ironers were also using machinery and were, therefore, exposed to hazards that could harm them in the workplace. The above is reinforced by the amended Labour Amendment Act (Act No. 2 of 2012) as being unfair and discriminatory. Similarly, the results above are also in contradiction with the National Environmental Health Policy (2002), which reaffirms the continued commitment of the Ministry of Health and Social Services to improve Namibians' working and living conditions and to equip the environmental health services with the ability to deal with new and evolving hazards and risks, as well as increasing its capacity to tackle the existing ones in the workplaces.

#### **4.2.1.2.11. Percentage of employees who contracted ailments as a result of working at RTN**

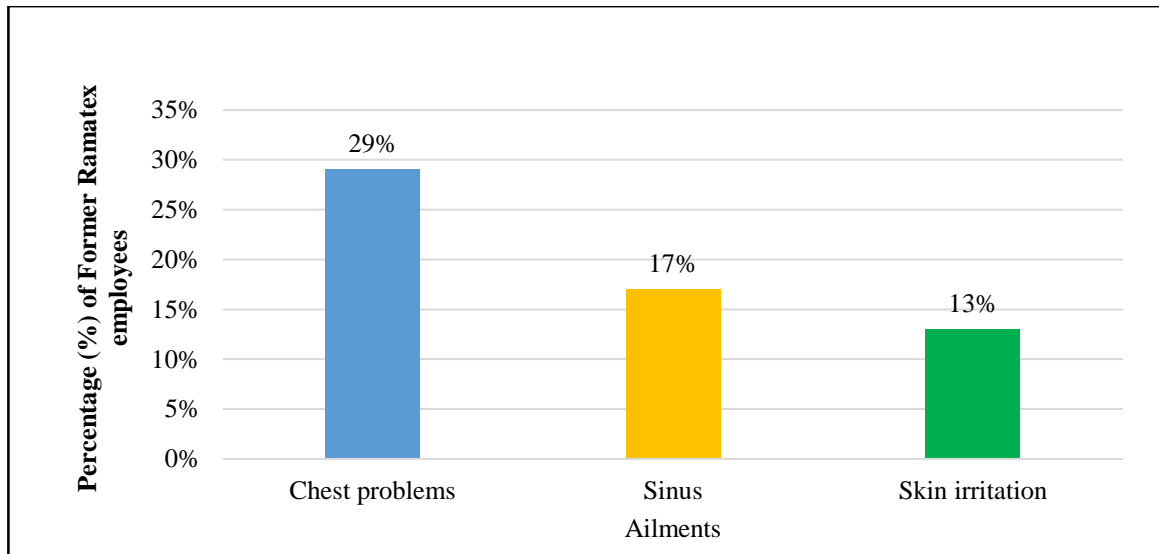


*Figure 11: Frequency of employees that contracted ailments*



Figure 11 provides an indication of the number of former RTN employees who contracted ailments during their time of employment at factory, and those that did not contract any ailments. 58% of the employees state that they contracted ailments whereas only 42% did not contract ailments from working at the factory. The percentage of those that contracted ailments could be attributed to the lack of protective clothing provided as depicted in figure 10 above.

#### 4.2.1.2.11.1 Ailments contracted on the job at RTN



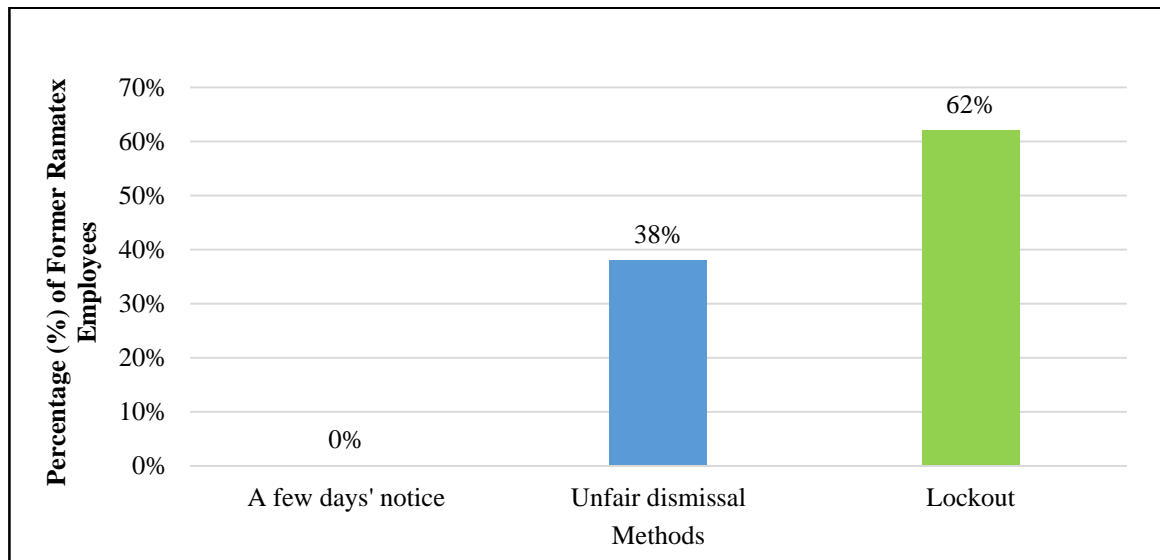
*Figure 11.1: Ailments contracted*

Figure 11.1 illustrates ailments contracted by the employees and how they were distributed among the sampled former employees of RTN. 29% of the former employees reported chest problems while 17% had sinus. 13% of the former employees indicated they have developed skin irritation. The above results reaffirm the results contained in figure 9 and 10 above where only 7% of the employees received an apron. The rest did



not receive any form of protective clothing and this is borne out by the reported ailments of the former employees during their time of employment at RTN. This again, is in direct contradiction to the National Environmental Health Policy (2002), which reaffirms the continued commitment of the Ministry of Health and Social Services to improve Namibians' working and living conditions and to equip the environmental health services to be able to deal with new and evolving hazards and risks, as well as increasing its capacity to tackle the existing ones in the workplaces.

#### 4.2.1.2.12. Methods used to terminate employment



*Figure 12: Methods used to terminate employment*

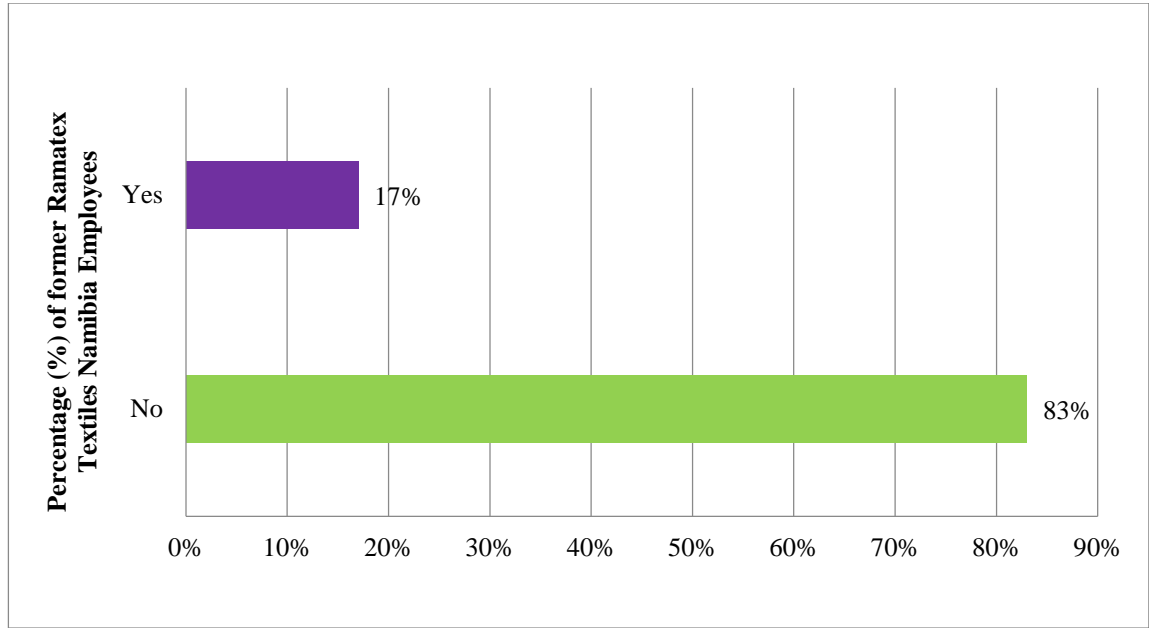
Figure 12 shows the methods used to terminate the employment of the former RTN employees. As illustrated in figure 4 elsewhere, there were only two incidences of job losses. The first one which was in 2004, and saw 38% of employees being unfairly dismissed, while 62% were locked out of the workplace upon the closure and relocation of RTN in 2008. However, no employee received a few days' notice on the termination of



their employment. The 38% of the sampled employees who were unfairly dismissed are among those who lost their jobs in 2004 as depicted in figure 4, for allegedly having master minded a strike. The two methods used to terminate the employment of employees, though very unconventional, is in contrast with the literature that states it is important to maintain a sustainable relationship with employees through inclusive leadership. Inclusive leadership would then of course constitute constructive engagement and dialogue between management and employees on issues or grievances affecting them. It appears the management of RTN gave no regard to its employees, who, as mandated by amended Labour Amendment Act (Act No. 2 of 2012), were raising their grievances with the trade union NAFAU and planning to go on strike. The above is reinforced by literature that suggests that companies that are corporately responsible and sustainable, practice good employment relations pertaining to inclusivity, promotion prospects and even prior notice of employment termination such as retrenchment. This prior notice of employment termination would have allowed the former RTN time to start seeking alternative employment and we would have less people that were totally unemployed, as shown in figure 14.



#### 4.2.1.2.13. Information on sustainable practices at the workplace



*Figure 13: Frequency of information dissemination on sustainable workplace practices*

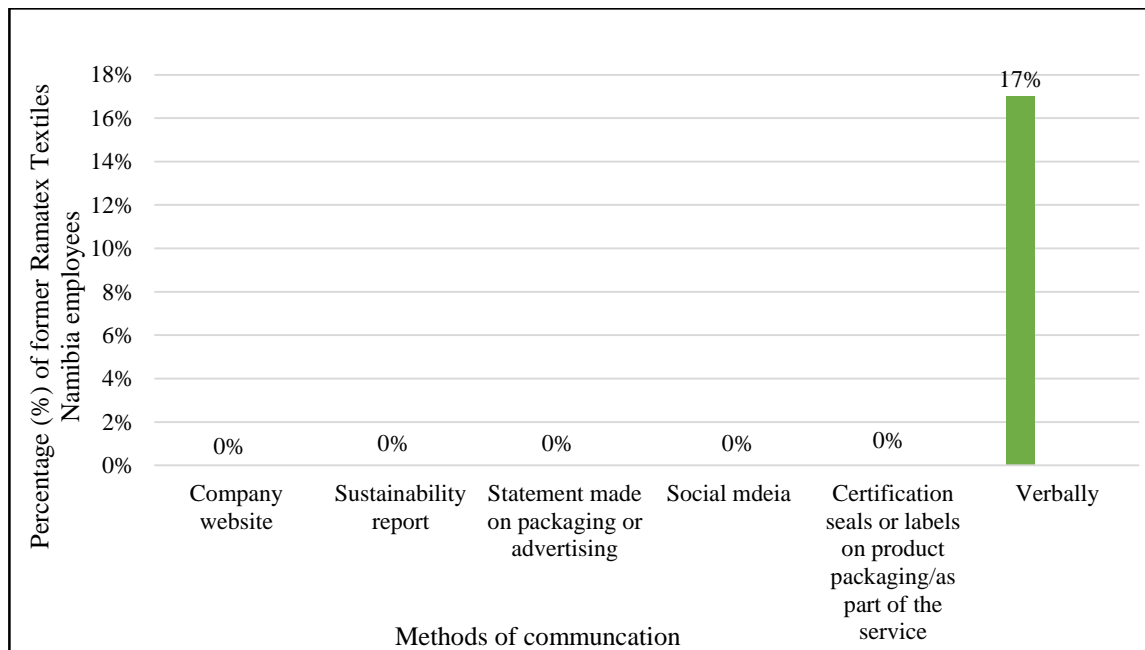
Figure 13 gives an indication about the incidence of information dissemination on sustainable work practices. 83% of the respondents were never informed about how they could be more efficient and effective through sustainable practices in the workplace. However, 17% indicated that they were informed on how they could be sustainable at work. The case of RTN has so far proven that workplace practices have a direct impact on the outputs, and effects they have on pivotal host country considerations such as the economy, governance, social and environment. From the above, it is clear that the lack of communication of sustainable goals and practices at RTN resulted in its eventual closure. The absence of communication on sustainable workplace practices is in contrast to what earlier literature stressed that career development programmes and strategic training programmes are important in ensuring sustainable work environment. Evidently, the



relevant information on sustainability in the workplace would have been covered in career development programmes and strategic training programmes. Against this background, it became clear that it is important that foreign investors educate their employees to be more environmental friendly in their bids to be sustainable.

These programmes could have been designed and carried out by the management of RTN or consultants in communicating information on sustainable work practices. This would have possibly averted the closure of RTN, which appears to be a direct result of the lack of sustainability on the part of the factory's operations.

#### 4.2.1.2.13.1. Methods of communication on sustainable workplace practices



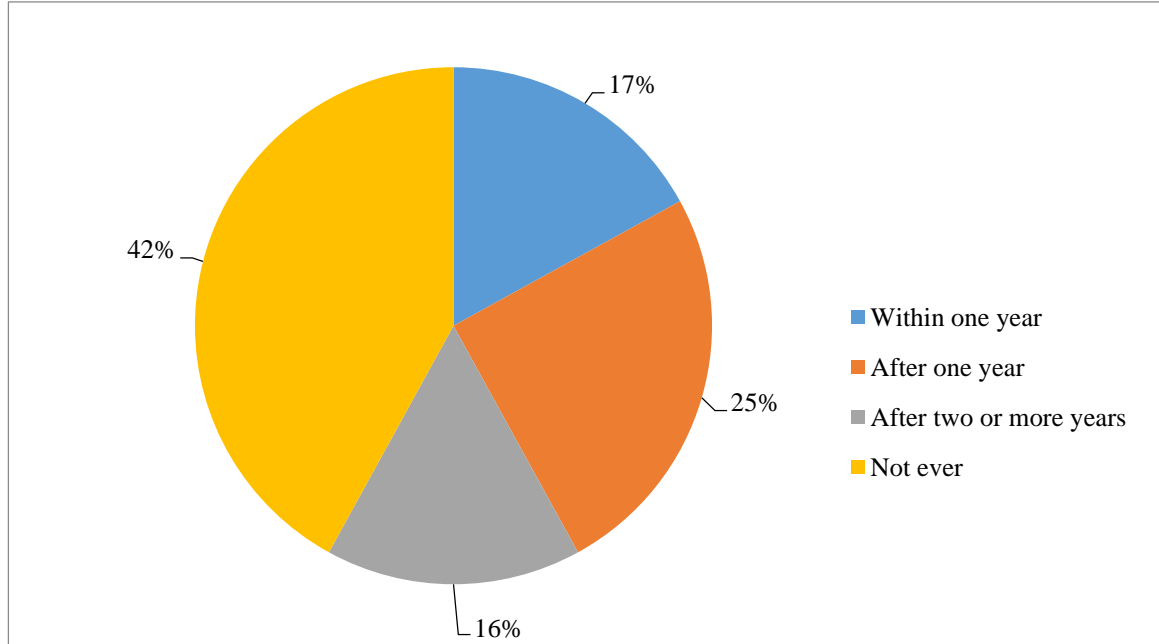
*Figure 13.1: Methods of communication on sustainable workplace practices*

Figure 13.1 above provides some thought-provoking data. None of the employees were informed about sustainable work practices through the company website, sustainability



reports, statements made on packaging or advertising, social media, and certification labels on product packaging/as part of the service. However, 17% of the sampled employees received information on sustainable workplace practices verbally. The 17% of the sampled employees additionally state that this was when they were reprimanded and informed about the large quantity of dye they would put in the machinery for colouring the garments. It was considered wastage they added. The above perhaps proves that the lack of communication on sustainable goals and objectives to employees pertaining to the workplace and organisation in general, resulted in the unsustainability and non-viability of the factory in the long-term and its eventual closure.

#### 4.2.1.2.14. Periods alternative employment was found

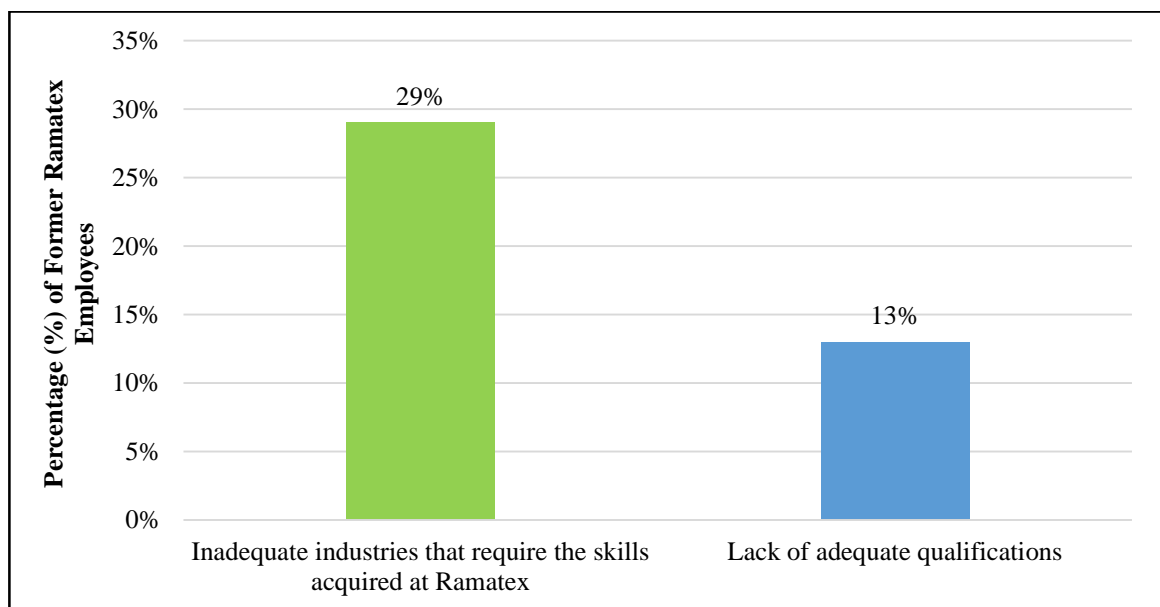


*Figure 14: Periods alternative employment was found*



Figure 14 provides information on the periods after which the former RTN employees were able to find alternative employment. 17% of the employees were able to find alternative employment within one year while 25% only after one year. However, 16% of the employees found alternative employment after two or more years whereas 42% have hitherto not been able to secure alternative employment. The abrupt closure of RTN in 2008 and the manner, in which employees lost their jobs without prior notice, as indicated in figure 12, caused the disparities in the periods alternative employment was found. Though some may have been lucky in securing employment, some have to date still no employment. A number of reasons for this have been advanced by the respondents as illustrated in figure 15 below.

#### 4.2.1.2.15. Reasons for not finding alternative employment



*Figure 15: Reasons for not finding alternative employment*



Figure 15 presents the reasons the former RTN employees are not able to find alternative employment to date. 42% of the employees were not able to secure alternative employment to date as shown in figure 5. Two reasons emerged to explain this. 29% of the employees claimed there is a lack of adequate industries that require the skills attained at the factory, whereas 13% of the employees attributed their dearth of alternative employment to the lack of adequate qualifications. The inadequate industries referred to by the former RTN employees is the manufacturing textile industry. This can be attributed to the fact that the relocation of RTN left a huge void in the manufacturing textile industry of Namibia.

#### 4.2.1.2.16. Extent livelihood was/is affected due to loss of job

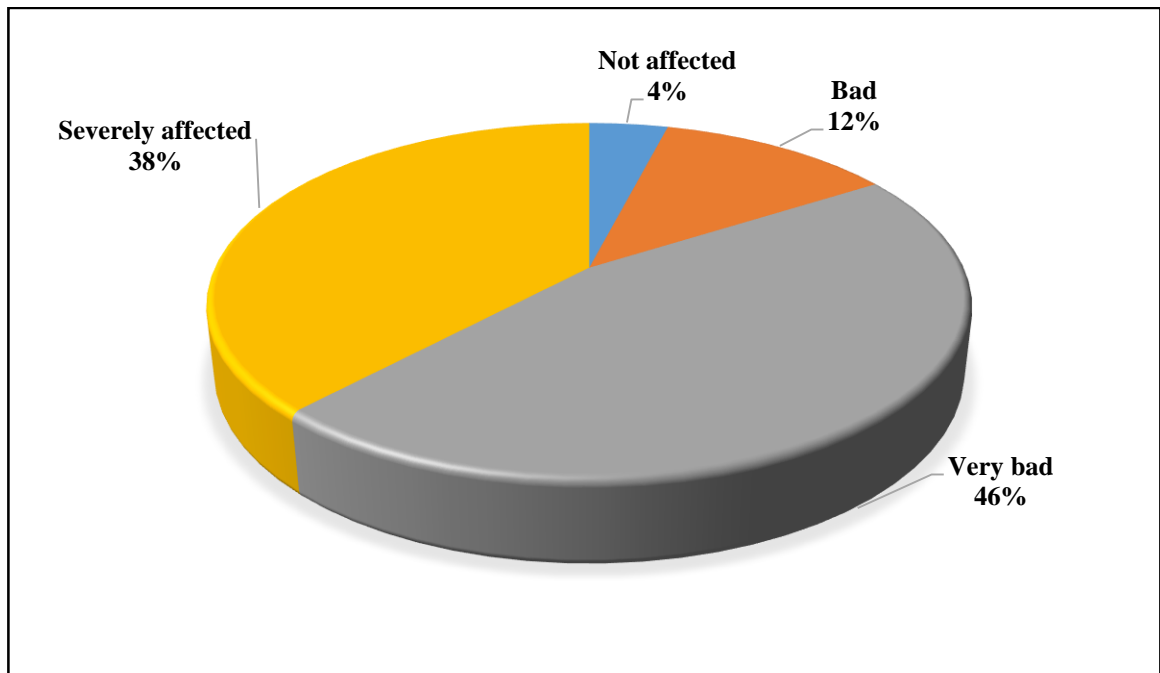
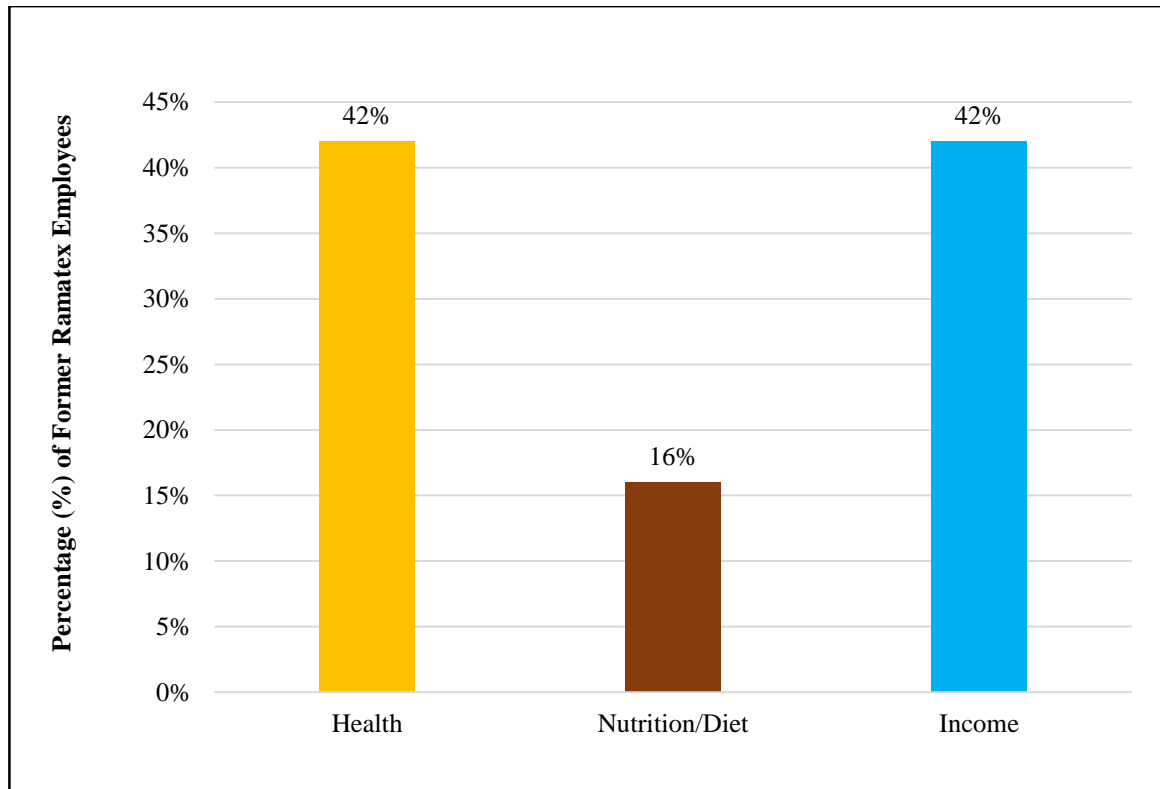


Figure 16: Extent livelihood was/is affected due to loss of job



Figure 16 shows the degree to which the livelihood of the former RTN employees was/is affected. 4% of the employees reported that their lives were not affected though 12% reported being badly affected. However, 46% of the employees state that their lives were/is very badly affected while 38% reported their lives being severely affected as a result of losing their jobs at RTN. From the above, it seems that losing their jobs has affected the former employees of RTN.

#### 4.2.1.2.17. Aspect of life affected upon loss of job at RTN



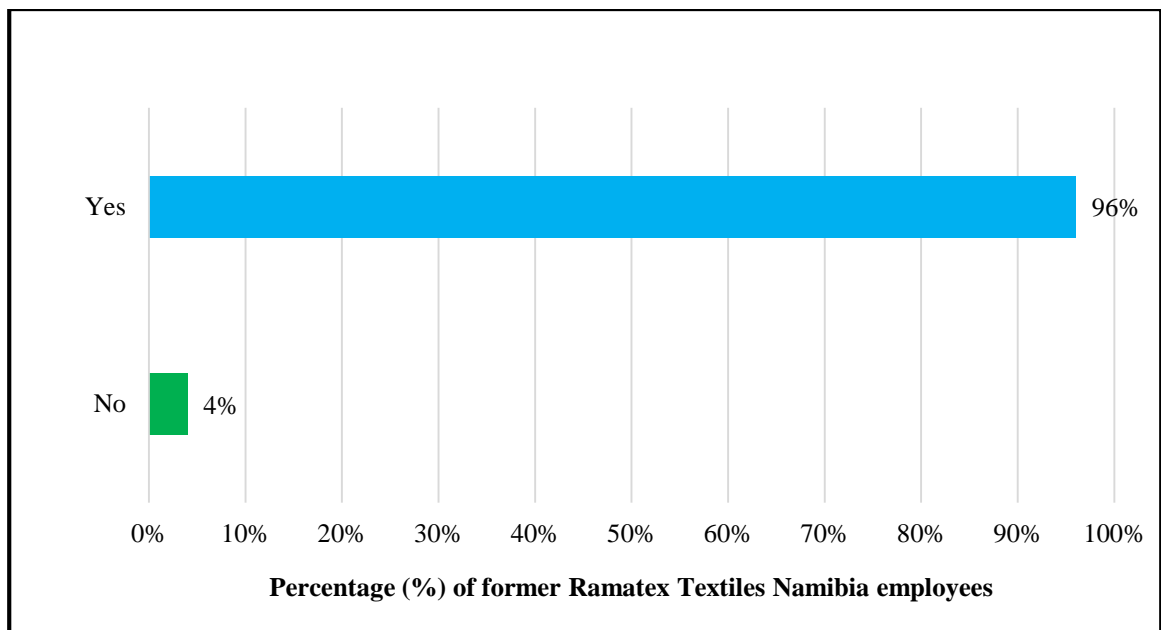
*Figure 17: Aspect of life affected upon loss of job at RTN*

Figure 17 above indicates how the former RTN employees were affected due to the loss of their jobs at the factory. Health and income is the highest with both affecting 42% of



the employees each while 16% reported their nutrition/diet being affected as a result of losing their job at Ramatex Textiles.

#### **4.2.1.2.18. Attitudes and general feelings for and/or against the possibility of working for a Multinational Textile Company**

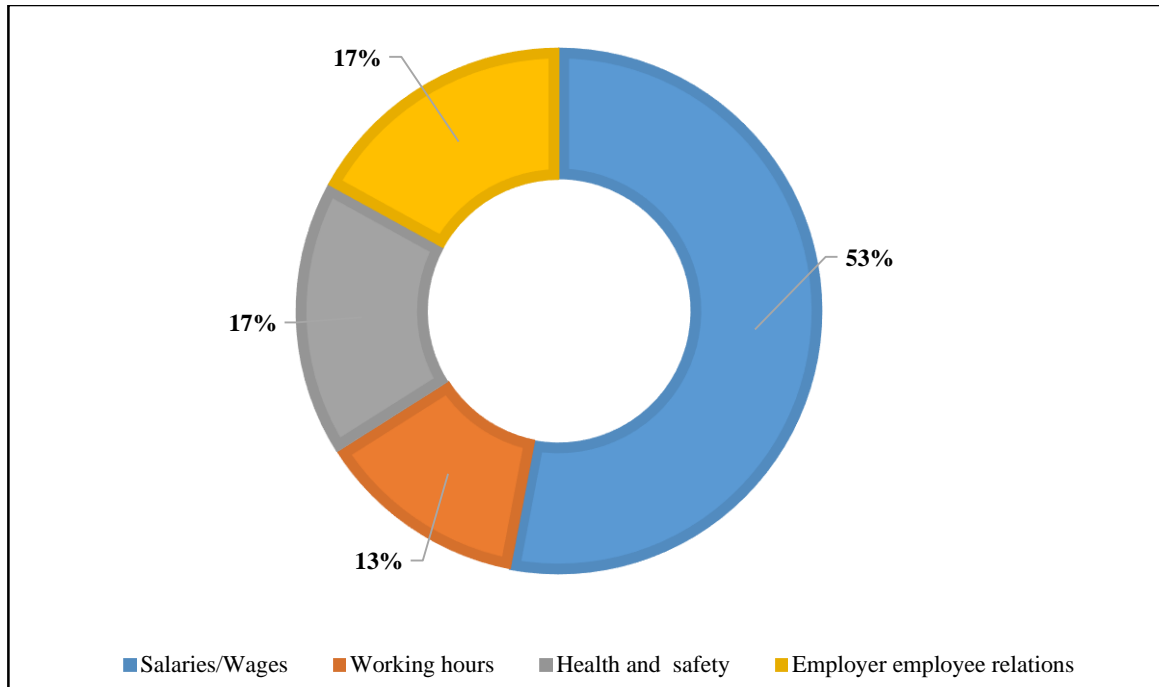


*Figure 18: Attitudes and general feelings for and/or against the possibility of working for a Multinational Textile Company again*

Figure 18 provides an indication whether the former RTN employees were okay with working at a multinational textile company again or objected to it. 4% of the employees had no objection to the possibility of working at a multinational textile company again while 96% had objection to it. The large number of former employees objecting to work for a multinational textile company again can perhaps be attributed to the poor labour conditions that these employees experienced.



#### 4.2.1.2.18.1. Labour issues wished to be seen improved in future textile MNCs



*Figure 18.1: Labour issues wished to be seen improved in future textile MNCs*

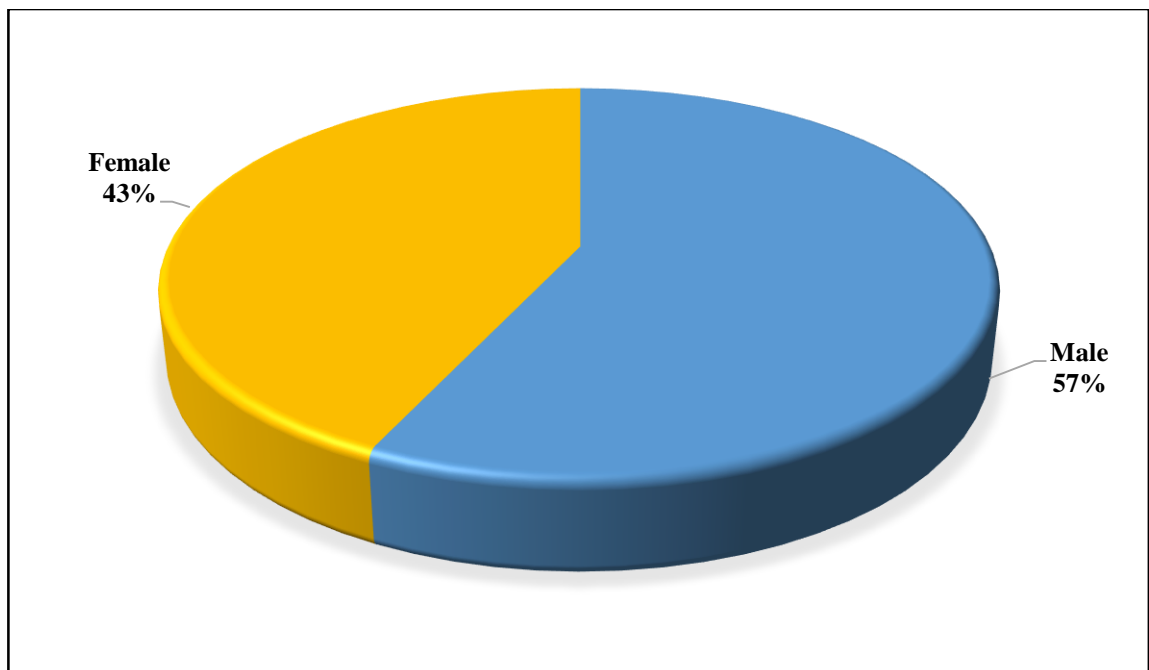
Figure 18.1 above presents the labour conditions wished to be seen improved if the former RTN employees are to work for a multinational textile company again. Working hours was the lowest amounting to 13% of the employees, while health and safety, and employer employee relations were equal with each receiving 17%. However, improvements in salaries/wages appear to be the biggest concern for these former employees, receiving the highest with 53%. From the above, one may conclude that these employees are not troubled by long hours of work for as long as the salary/wage would be commensurate.



#### 4.2.1.3. Responses from the current employees of Ohorongo Cement

In an effort at comparisons, the current employees of Ohorongo Cement were part of the sample to complete the questionnaire. The questionnaire consisted of 13 questions which were meant to gauge the employees' views and opinions on their general workplace and the sustainable practices being observed thereof. Consequently, the questionnaire produced the results as presented below.

##### 4.2.1.3.1. Gender of the respondents



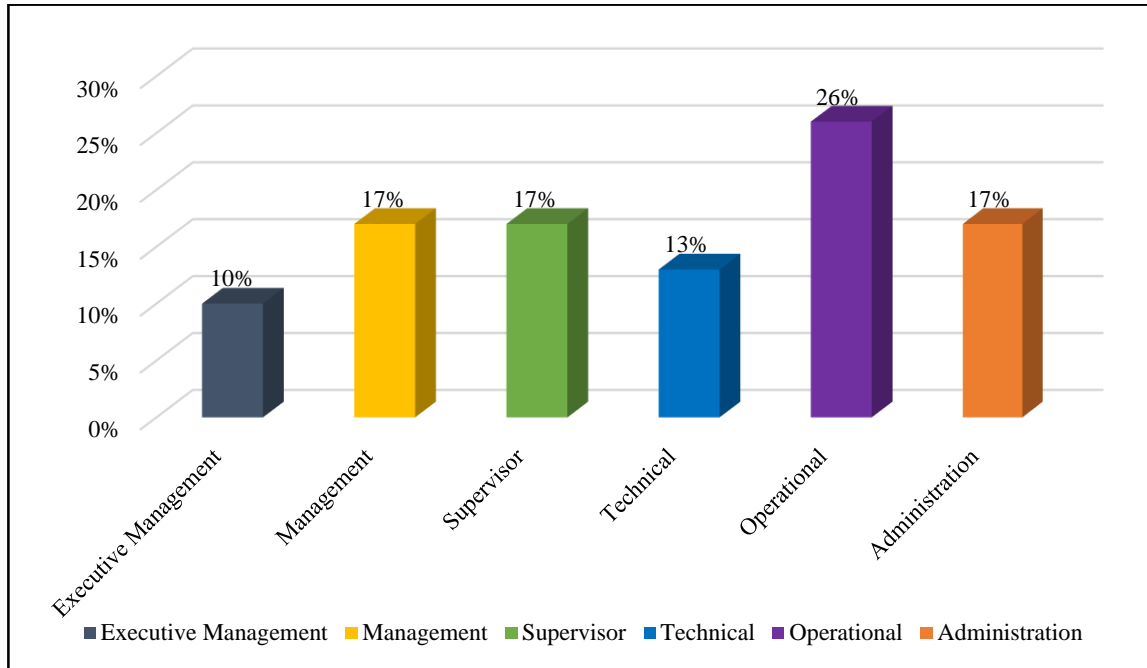
*Figure 19: Gender of the respondents*

Figure 19 indicates the gender of the respondents. Similar to that of the former RTN employees, the difference in the number of males and females that took part in the study was not deliberate, but was solely based on the willingness of the participants to engage



in the study. The number of male participants was higher than the female as they amounted to 57%, while females comprised of 43% of the sample.

#### 4.2.1.3.2. Positions

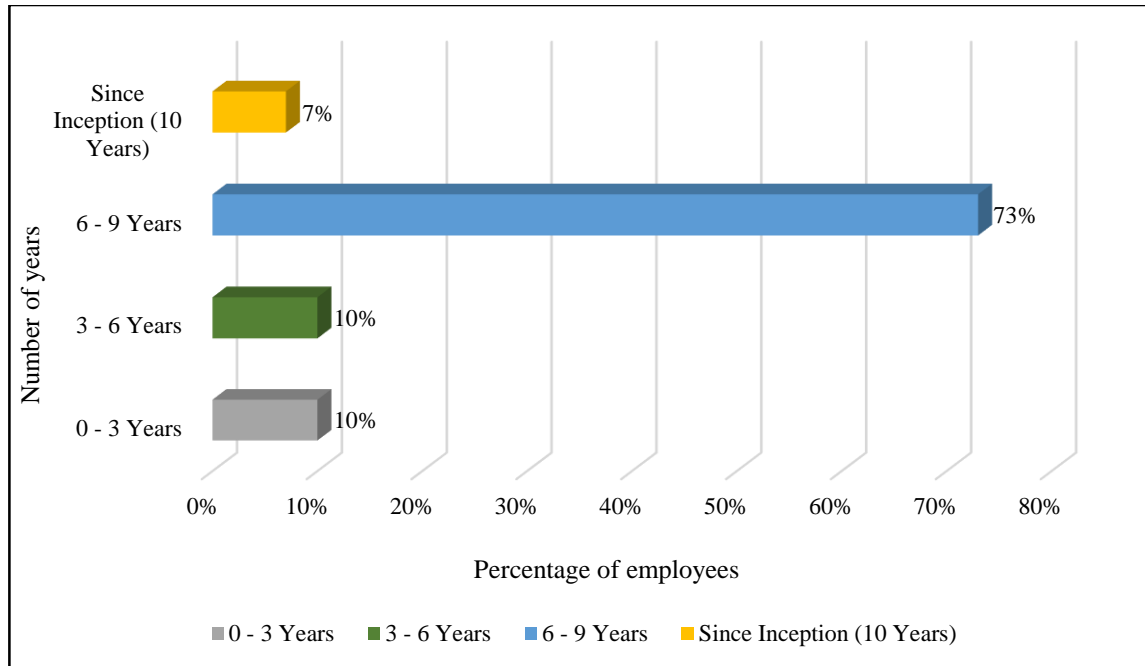


*Figure 20: Positions*

Figure 20 above shows the various job categories that are occupied by the employees. 10% are part of the Executive Management, while Management and Supervisor categories both consisted of 17% each. Employees part of the Technical job category are 13%, Operational were the most with the highest of 26%, while the remaining 17% were part of Administration.



#### 4.2.1.3.3. Duration of employment at Ohorongo Cement

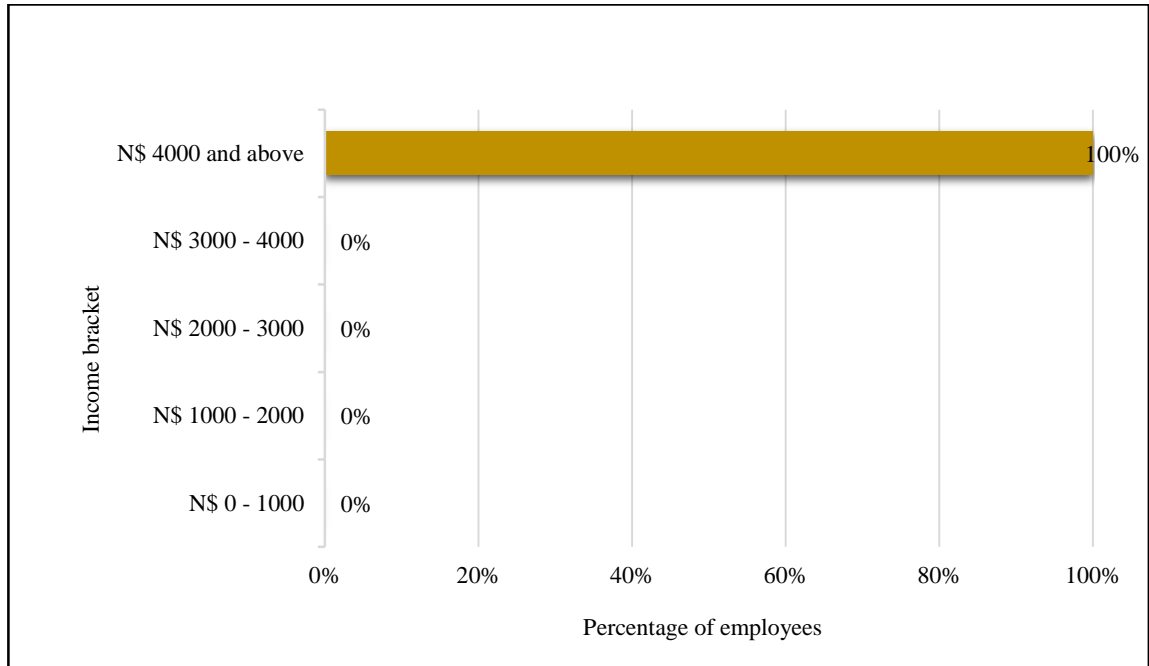


*Figure 21: Duration of employment at Ohorongo Cement*

Figure 21 above shows the number of years the sampled employees have been employed at Ohorongo Cement. 10% indicated that they were employed in the range between 0 – 3 years. Another 10% indicated on the 3 – 6 years of employment range, while 73% indicated they have been employed at Ohorongo Cement in the range 6 – 9 years. The last 7% indicated they have been employed for 10 years (since inception). Clearly, employment opportunities provided through FDIs need to be sustainable in the long term and therefore supports the sustainability of employment as advocated for by literature and the NIP Act (Act 9 of 2016).



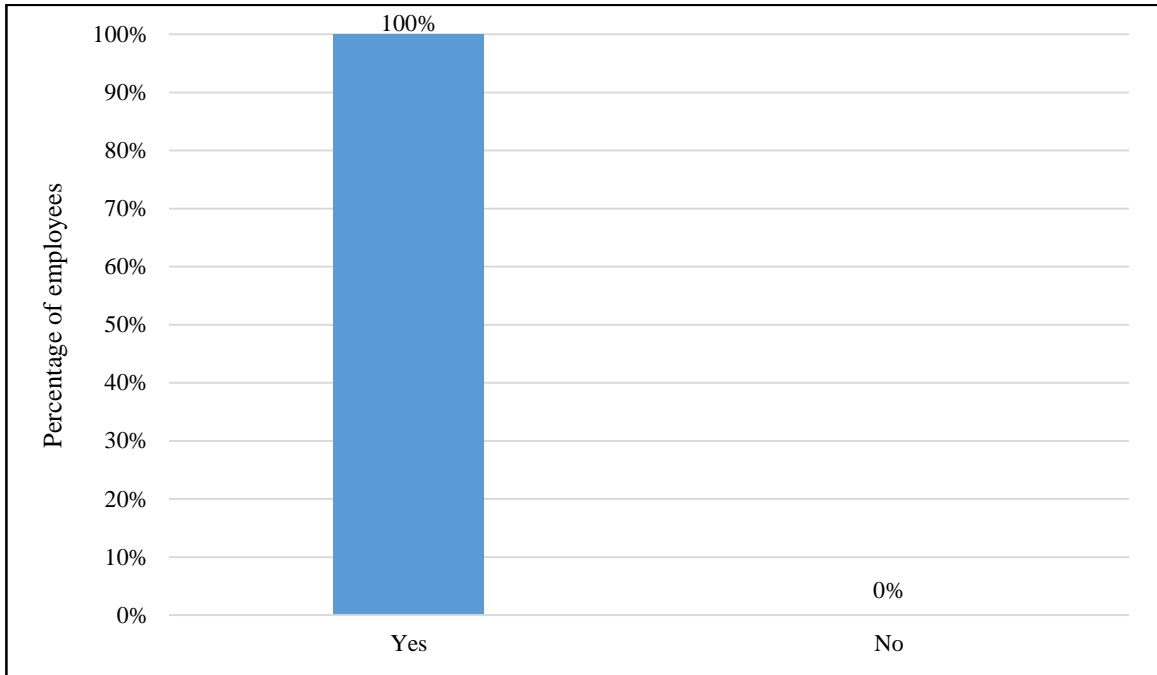
#### 4.2.1.3.4. In which income bracket are you?



*Figure 22: Income brackets*

Figure 22 above represents the income brackets of the current employees of Ohorongo Cement. 0% of the employees receive a monthly salary in the income brackets of N\$ 0 – 1000, N\$ 1000 – 2000, N\$ 2000 – 3000 and N\$ 3000 – 4000. Resultantly, a 100% of the sampled employees received a monthly salary of N\$ 4000 and above. The above data supports the assertion that employment opportunities provided through FDIs need to have sustainable salaries/wages for employees based on the rank/level of various positions occupied. This, as supported by literature will enable employees to lead a sustainable lifestyle free from excessive debt.



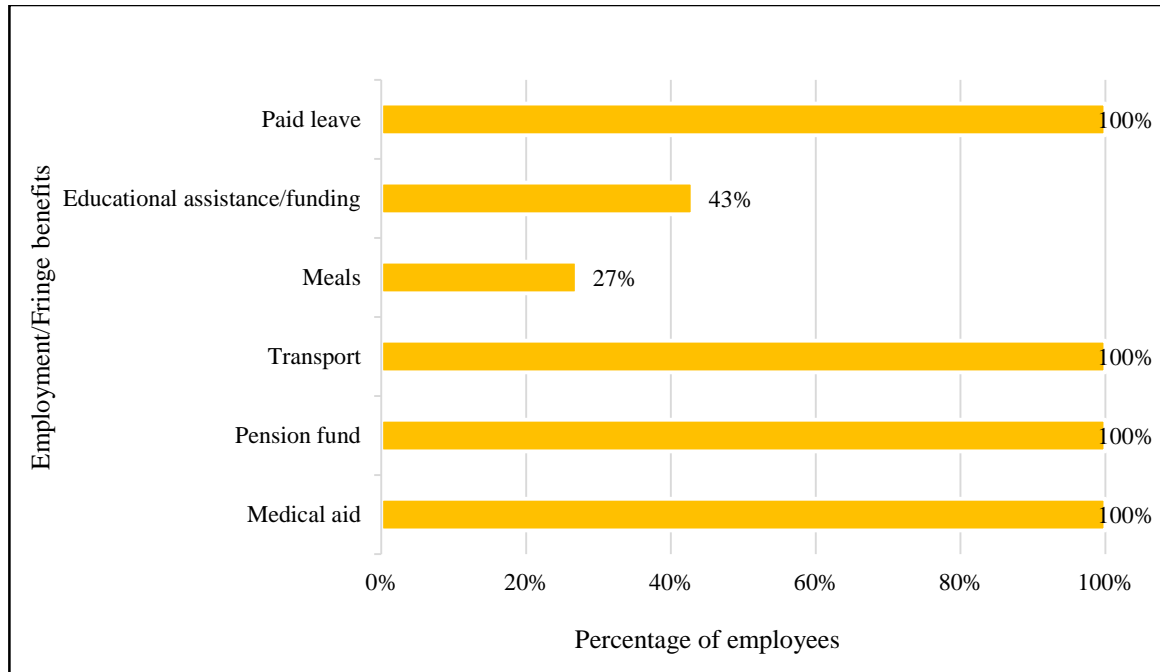
**4.2.1.3.5. Do you receive employment/fringe benefits?**

*Figure 23: Receipt of employment/fringe benefits*

Figure 23 above shows the number of employees of Ohorongo Cement that receive employment/fringe benefits. 100% of the employees indicated that they do receive fringe benefits.



#### 4.2.1.3.6. Employment/fringe benefits being received.



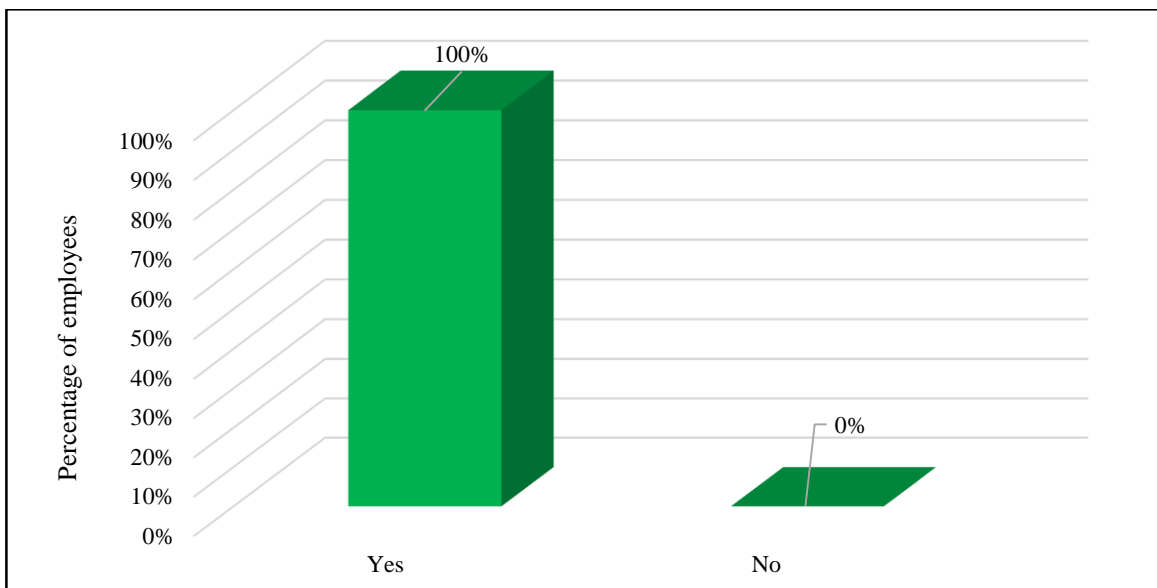
*Figure 24: Employment/fringe benefits*

Figure 24 above shows the percentage of the various fringe benefits that the employees of Ohorongo Cement receive. 100% of the employees indicated that they received fringe benefits in the form of medical aid, pension fund, transport and paid leave. However, only 43% received educational assistance/funding, while 27% received meals. The provision of various fringe benefits, such as health insurance, leave days for holiday and medical reasons, meals and transport to the employees of Ohorongo Cement clearly plays an important role in the drive towards sustainable employment. Literature supports the above and states that employee well-being is increased through the provision of fringe benefits, that include health insurance, leave days for holiday and medical reasons, meals and transport to mention but a few. In reference to the above, literature has it that companies



that care about their employees help increase employees' satisfaction and morale, lower turnover rate, attract more talent, ensure workplace safety, and establish excellent work relations with employees. The provision of employment benefits as depicted above in figure 24 above, and the provision of protective clothing as depicted in figure 28 below, to the employees of Ohorongo Cement is one of the factors that shows the Ohorongo Cement cares about its employees. In addition, the provision of employment benefits as shown above is advocated for by the amended Social Security Act (Act No. 34 of 1994), which makes provision for, inter alia, the payment of maternity leave benefits, sick leave benefits and death benefits, provide for the payment of medical benefits, provide for the payment of pension benefits to retired employees and to establish for that purpose the maternity and sick leave for all persons employed in Namibia.

**4.2.1.3.7. Do you see yourself working for Ohorongo Cement in ten years from now?**

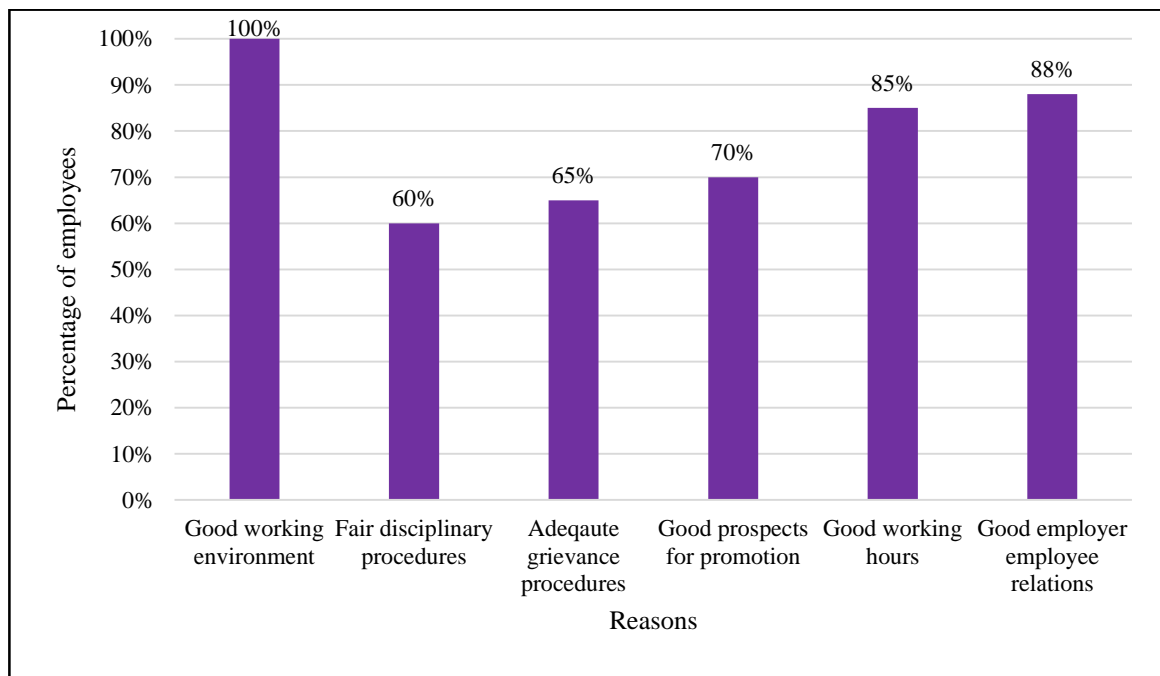


*Figure 25: Do you see yourself working for Ohorongo Cement in ten years from now?*



Figure 25 above depicts the percentage of employees that saw themselves working for Ohorongo Cement in 10 years. All the employees indicated that they do see themselves working for Ohorongo Cement in 10 years. This can perhaps be attributed to the monetary and non-monetary benefits these employees receive. The monetary and non-monetary benefits have been covered in figures 22 and 24. Additionally, literature has proven that employees are likely to work for a company for a long period of time if they feel safe in the workplace.

#### 4.2.1.3.8. Reasons for seeing themselves work for Ohorongo Cement in ten years.



*Figure 26: Reasons for seeing themselves work for Ohorongo Cement in ten years*

Figure 26 above shows the reasons employees indicated to justify why they saw themselves working for Ohorongo Cement in ten years from now. In terms of Ohorongo Cement, 100% of the employees indicated that there is a good working environment, while



60% indicated that there are fair disciplinary procedures. 65% indicated that the grievance procedures were adequate and 70% indicated that there are good prospects for promotion. 85% indicated that there are good working hours, while 88% indicated that there are good employer-employee relations. The above provides evidence that the company does care about its employees. This is further supported by the literature which states that companies that care about their employees help increase employees' satisfaction and morale, lower turnover rate, attract more talent, ensure workplace safety, and establish excellent work relations with employees. This perhaps justifies the 100% of employees that earlier indicated that they would like to work for Ohorongo Cement in 10 years from now.

#### 4.2.1.3.9. Do you feel safe at your workplace?

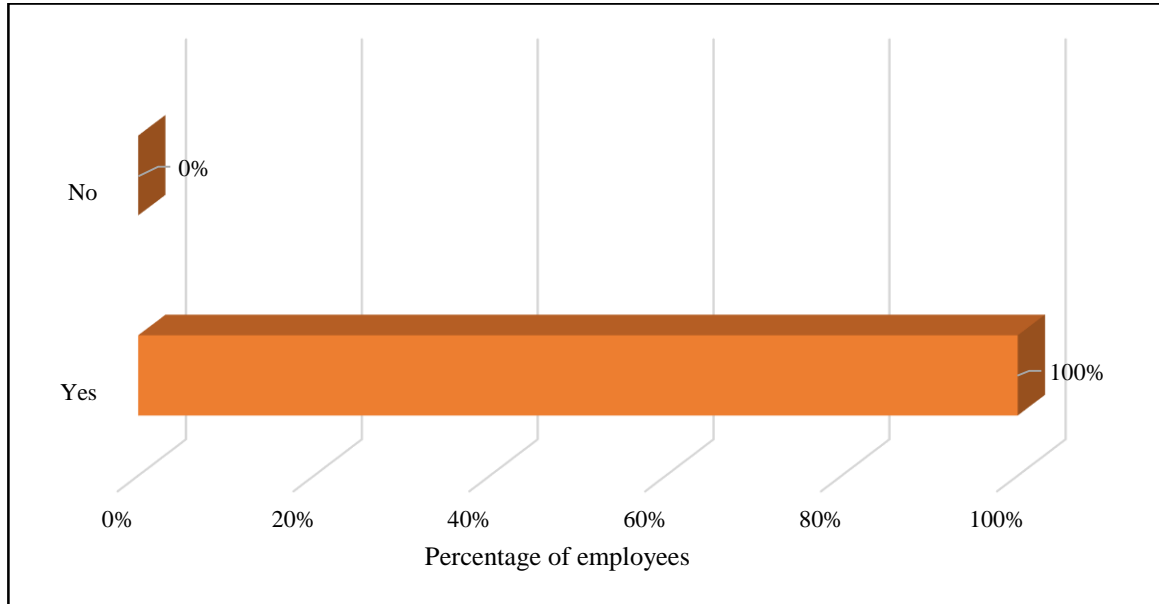


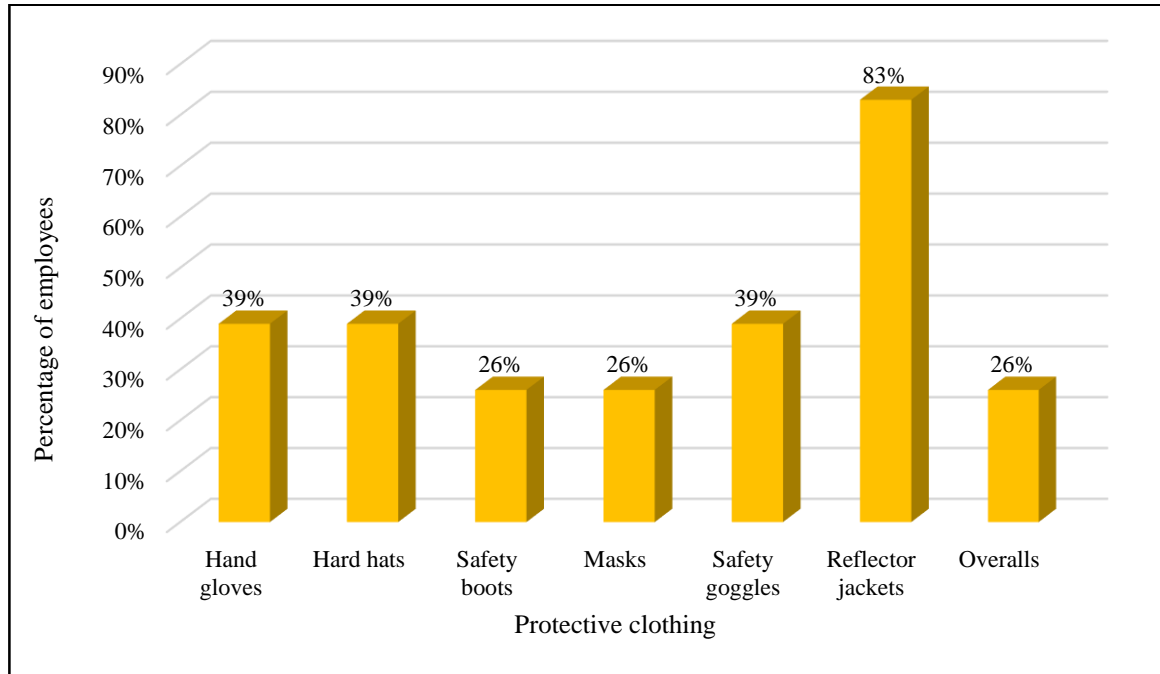
Figure 27: Safety at workplace

Figure 27 above presents the percentage of employees on whether they feel safe in their workplace. A 100% of the employees indicated that they do feel safe in the workplace.



This can perhaps be attributed to protective clothing that has been provided to employees as discussed in the section below.

**4.2.1.3.10. Have you received any protective clothing? If yes, select all that apply**



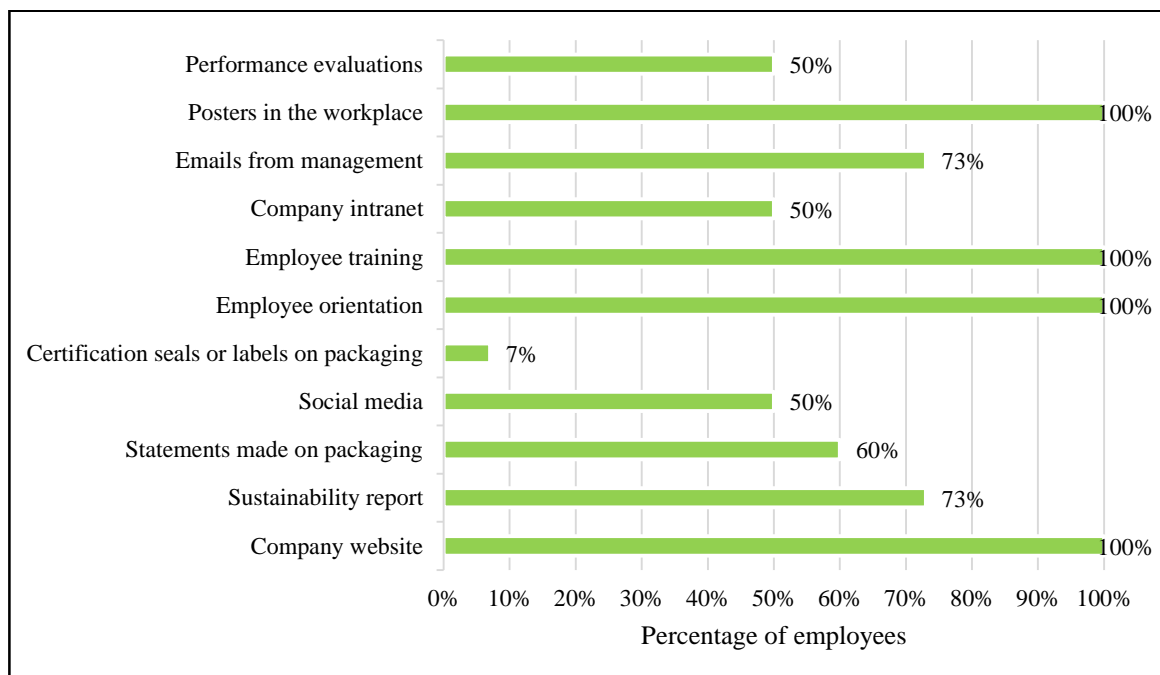
*Figure 28: Protective clothing*

Figure 28 above depicts the frequencies at which various protective clothing has been provided to the employees. 39% of the employees indicated that they received hand gloves, hard hats and safety goggles. 26% indicated that they received safety boots, masks as well as overalls. Finally, 83% indicated that they have received reflector jackets. The disparities in the distribution of protective clothing can perhaps be linked to the various jobs and their subsequent exposure to various hazards in the workplace. Literature has established that the provision of protective clothing to employees suggests that the company cares about its employees. The provision of protective clothing to employees



coincides with the objectives of a number of laws in the country such as the amended Labour Amendment Act (Act No. 2 of 2012) and the National Environmental Health Policy (2002). Literature hereof reveals that employees should be subjected to safe work environments through the provision of protective clothing where needed by the employing organisation/institution. In addition, the issue appears to stem from the aim to maintain and support the health and social well-being of the population through preventative and promotive measures. This clearly includes employees in workplaces. The results as depicted in figure 28 above corresponds with the objectives of the amended Labour Amendment Act (Act No. 2 of 2012), and the National Environmental Health Policy (2002).

**4.2.1.3.11. Do you receive any communication from management on organisational sustainability goals and policies? If yes, select how.**



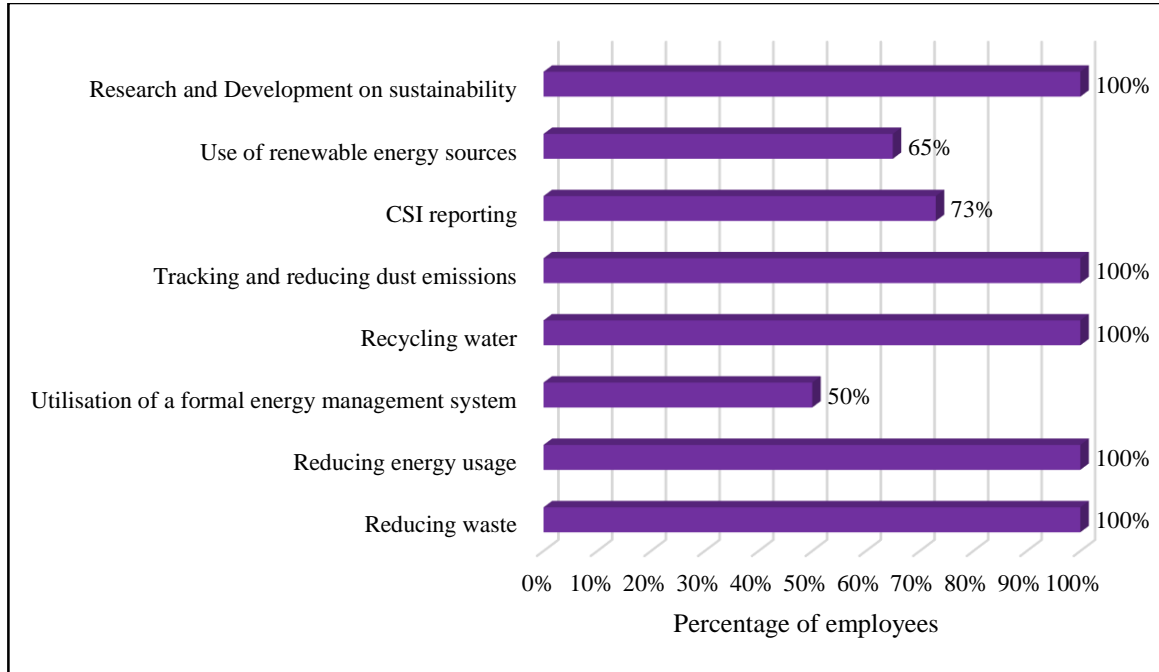
*Figure 29: Receipt of information on organisational sustainability goals and polices*



Figure 29 above presents the various methods used to communicate organisational sustainability goals and objectives. 100% of the employees indicated that information on organisational sustainability goals and objectives were received through the company website, employee orientation, employee training and posters in the workplace. 50% of the employees indicated performance evaluations, company intranet and social media as the modes through which they received organisational sustainability goals and objectives. 73% indicated emails from management and sustainability reporting, while 60% indicated statements made on the packaging. Only 7% indicated certification seals or labels on packaging as the mode through which they received information on organisational sustainability goals and objectives. This high rate on information dissemination as shown above can be attributed to the fact that career development programmes and strategic training programmes are important in ensuring sustainable work environment. Evidently, the relevant information on sustainability in the workplace can be covered through training programmes. Additionally, literature on this stresses that it is important that foreign investors educate their employees to be more environmental friendly in their bids to be sustainable. Information on sustainability can therefore be disseminated through various modes as illustrated by figure 29 above.



#### 4.2.1.3.12. Which of the following is Ohorongo Cement currently engaged in?



*Figure 30: Sustainable practices at Ohorongo Cement*

Figure 30 above shows the various sustainability practices Ohorongo Cement is engaged in as witnessed by the employees. 100% of the employees indicated reducing waste, reducing energy usage, recycling water, tracking and reducing dust emissions and research and development on sustainability. 73% of the employees indicated CSI reporting, while 65% indicated use of renewable energy sources. Only 50% indicated the utilisation of a formal energy management system. The above data suggests that Ohorongo Cement has gone the extra mile in its bid towards sustainability. As established by literature, it is important to note that maintaining a sustainable workplace means minimising external environmental impact. This can be done by purchasing repurposed and recycled materials, minimising unnecessary employee travel, and reducing energy and water consumption.



#### **4.2.1.4. Findings obtained from structured interviews**

Interviews were conducted with officials from stakeholder organisations as well as the Managing Director of Ohorongo Cement. The qualitative data analysis led to the emergence of various themes from the two sets of structured interviews guided by the research questions discussed in chapter one. This section presents the results obtained according to the themes that emerged as a result of the interviews.

##### **4.2.1.4.1. Stakeholder Organisations**

###### **a) View on FDI in Namibia**

In addressing this theme, respondents were required to provide their view on FDI in Namibia. It became clear from most of the respondents that Namibia has managed to reach significant milestones in attracting and retaining FDI. Despite results being mixed, general consensus on this was attributed to the adoption of the Foreign Investment Act in 1990 right after attaining independence. This was reflected by one of the respondents, a Labour Researcher and Educator, Mr. Jauch, who states that *“In addition to the Foreign Investment Act of 1990, the EPZ Act was passed in 1995 and went a step further in promoting FDI through the provision of various incentives to foreign investors”* (Personal communication, September 5, 2016).

However, Mr. Jauch advises that *“There is a need for the Namibian government to be selective in the type of FDI allowed into the country to maximise on those that emulate government objectives such as Ohorongo Cement, as opposed to those that would operate in contrast to governments’ aspirations, and avoid what transpired with Ramatex Textiles*



*Namibia*” (Personal communication, September 5, 2016). This matches with one of the objectives of the literature on the NIP Act (Act No. 9 of 2016), that aims to attract FDI that would support/advance government development objectives as described in, among others, Vision 2030, NDP4, Industrialisation Policy of 2013 and the HPP.

In support of the above, another respondent from the LaRRI, Dr. Akuupa, states that “*The Namibian government has clearly given priority to the attraction of FDI into the country under the pretext that it would bring development and industrialisation*” (Personal communication, September 14, 2016).

In addition, a respondent from the NIC, Mr. Hatutale, states that “*Namibia in terms of FDI, has over the past ten years attracted a relatively high volume of FDI compared to other middle income countries like South Africa*” (Personal communication, September 12, 2016). This is confirmed by figure 39 in appendix 7, which indicates FDI inflows in % of GDP in Namibia, South Africa and Middle income countries between the periods 1970 to 2014.

Mr. Brown, from the IJG Securities adds that “*The favourable investment climate in Namibia has allowed for the increase in foreign investors in the country. This increase in FDI has over the years enabled government to fund the trade deficit. Most of the investments are in the mining sector, which are beneficially capital intensive in nature*” (Personal communication, September 12, 2016).

The above is further reinforced by Mr. Kiberd from the Ministry of Finance, who states that “*FDI is likely to remain important in Namibia for as long as the domestic market is*



*not able to reinvest in itself significantly due to the size of the economy”* (Personal communication, September 15, 2016).

The above responses show that FDI has been deemed an important factor in aiding government achieve its developmental goals and objectives. An analysis of the findings does affirm the importance government has accorded to FDI as shown in various key pieces legislation. The amended Foreign Investment Act (Act No. 24 of 1993) in its preamble, states that it makes provision for the promotion of foreign investments in Namibia. However, in an effort to meet current demands, the government has passed a new law that governs foreign investments in Namibia. The NIP Act (Act 9 of 2016) replaces the Foreign Investment Act (Act No. 24 of 1993).

The NIP Act (Act 9 of 2016) makes provision for the promotion of sustainable economic development and growth through the mobilisation and attraction of foreign and domestic investment to enhance economic development, reduce unemployment, accelerate growth and diversify the economy. The passing of this Act, an improvement on the Foreign Investment Act of 1990, demonstrates the importance of FDI for Namibia and confirms the views of respondents above.

Further analysis confirms the existence of various incentives for foreign investors. Laws such as the IIP Act (2002) as well as the EPZ Act (Act No. 9 of 1995) provide a number of incentives. As discussed in literature, these acts incentivise foreign investors and thus make Namibia a favourable investment destination. For instance, the IIP Act (2002) allows for the protection of an infant industry by discouraging imports through levying



duties on them. This resultantly encourages the local market to grow and the investor remains protected and confident. Furthermore, the amended EPZ Act (Act No. 9 1995) incentivises foreign investors that are to become an EPZ status company with the following:

- EPZ enterprises are allowed to hold foreign currency accounts in local banks;
- Enjoy industrial calm as no lockout or strike is allowed in the EPZ regime;
- Companies are allowed to locate their companies anywhere in Namibia; and
- Through the Offshore Development Company (ODC), EPZ enterprises have access to factory facilities, which are rented at economical rates.

The extent of the above incentives demonstrates the commitment government has given towards attracting foreign investments. The need to be selective in the type of FDI allowed into the country as stressed by Mr. Jauch has been covered in Part 3, section 8 of the NIP Act (Act 9 of 2016). Literature on this reveals that the Minister, in recognition of the sustainable economic sectors, business activities and development objectives of Namibia, its national security interests and the public interest, may, by regulations, reserve certain categories of - (a) economic sectors; or (b) business activities, as exclusive to certain categories of investors. Clearly, some degree of selectivity is now present in this Act, as emphasised by Mr. Jauch, and will go a long way in ensuring the attraction of FDI that will serve to benefit the developmental aspirations of the country as determined by the above-mentioned categories.



The favourability of Namibia as an investment destination has generally been agreed upon by the respondents and perhaps remains a matter of time before we see an influx of investors into the country. This assertion confirms what was discussed in literature that Namibia is a stable, democratic country, and that the government is committed to stimulating economic growth and employment through foreign investment. Democratic stability in Namibia, and commitment demonstrated by the government to promote of foreign investments has to a certain extent contributed to the attraction of significant FDI into the country since independence. This clearly is also attributed to various laws that guide FDI operations as discussed earlier and include the NIP Act (Act 9 of 2016), the EPZ Act (Act No. 9 of 1995), IIP Act (2002), Labour Amendment Act (Act No. 2 of 2012), Industrial Policy (2013) and National Environmental Health Policy (2002). The importance of FDI is further recognised in developmental strategies and policies such as Vision 2030, NDP4, Industrial Policy, HPP and the Growth at Home Strategy discussed in chapter two.

#### **b) National development through FDI**

The above theme required respondents to provide their thoughts on whether foreign investors carried the developmental interests of Namibia at heart. It emerged that, despite foreign investors being profit driven with no obligation to contribute to the development of Namibia, some foreign owned companies in fact have contributed to the achievement of some of the developmental goals of Namibia. These views are discussed below.



Interestingly, Mr. Hatutale from the NIC states that *“The nature of foreign owned companies is that they are profit driven by design, therefore cannot be expected to carry the developmental interests of Namibia at heart. Although some, in addition to tax contributions and employment opportunities, have gone the extra mile through corporate social responsibilities”* (Personal communication, September 12, 2016). The respondent provides examples and states that *“Such foreign investors include the Dundee Precious Metals which has gone the extra mile through its Tsumeb Community Trust which was established to provide funds to the community at large to address its socio-economic needs”* (Personal communication, September 12, 2016).

Mr. Brown from the IJG Securities similarly states that *“Foreign owned companies do not have to contribute to Namibia’s developmental aspirations, though there are some that contribute”* (Personal communication, September 12, 2016). He further adds that *“There have been a few cases where foreign investors have voluntarily contributed to development such as Ohorongo Cement, Dundee Precious Metals and the Oshikoto B2Gold Mine”* (Personal communication, September 12, 2016). He advises that *“What the country should rather do is ensure we do not get ripped off by foreign investors by selling our resources cheap, allowing environmental degradation and allowing poor employment conditions, which if upheld, can contribute to the various government objectives as emphasised in legislation”* (Personal communication, September 12, 2016).

To increase the margin of foreign investors contributing to the development of Namibia, the safeguarding of its interests by government is ideal in that it will ensure the country



only accepts investments that aid government in its efforts towards development and industrialisation. In realising this, it is important that government does indeed carefully select the type of FDI they allow into the country. A quality over quantity approach should be the rationale here.

Mr. Kiberd, an economist from the Ministry of Finance, supports the above two respondents' views. He states that *"It is not the primary goal of foreign owned companies to contribute to the development of the country as they are primarily profit driven. Developmental spill overs from the investment can occur, though this may not always be deliberate on the part of the investor. Depending on how foreign investors are incentivised, they can also contribute to development"* (Personal communication, September 15, 2016). This was evident with RTN, which through incentives provided by the EPZ Act (Act No. 9 of 1995), has managed to contribute to the NDP 2's goal of increased employment. This was realised by the 7000 Namibians who got employment at the factory and reduced the unemployment rate gradually between the years 2001 to 2007 from 24% to 5.2 % (see Figure 40 - Appendix 8).

Another respondent, a Labour Researcher and Educator, Mr. Jauch, adds that *"Foreign owned companies do not carry the developmental interests of Namibia at heart. What happens is that some of the spill over effects of the investment coincides with government objectives. These can be employment creation, skills and technological transfers"* (Personal communication, September 5, 2016). These benefits that arise from the spill-overs and support government objectives are not deliberate on the part of the investor,



because, as similarly indicated by previous respondents, foreign investors are, under no obligation to contribute to government developmental objectives due to their profit driven nature.

From the above responses, consensus appears to centre on the fact that FDIs do not have to contribute to the developmental goals of Namibia. Justification for this was that FDIs are usually profit driven and would rarely deliberately contribute to the achievement of government goals at their own cost, e.g. building a dam for a community. The above shares sentiments with literature that states the responsibility of a company is solely to make profits, a company has no obligation to exercise social responsibilities to society and contribute to government objectives at all.

The contentious views brought forth by the respondents and the literature referred to above is found to be contrary to view that emphasises that companies should care about their stakeholders' interests and at the same time, place more emphasis on other areas apart from solely profit making. The stance on this approach stems from the fact that nowadays stakeholders are not only concerned about profits, they are more interested in the impact their operational activities have on various economic, environmental, governance, and social factors. This can be attributed to the fact that these factors significantly affect the fate of the company in long term as well as the impact on the host country. Despite these convictions by the respondents, it was established that some FDIs do contribute to developmental goals unintentionally. This can be through employment opportunities, contribution to the foreign currency reserves or increasing the economic growth rate.



As reflected in literature, the relevance of FDI in aiding with the developmental process has been reflected in various pieces of developmental policies, plans, and strategies. These include among others, Vision 2030, NDP4, Industrial Policy, HPP and the Growth at Home Strategy. The above policies have recognised the role FDIs can play in achieving development and have therefore made provision for the involvement of foreign investors in their attainment.

### **c) Sustainable FDI in Namibia**

In light of the above theme, respondents were required to provide their general overview on sustainable FDI in Namibia. Dr. Akuupa, Director of the LaRRI, states that *“It is a relatively new concept, of which we now see some aspects of it being explicitly emphasised in the new NIP Act (Act No. 9 of 2016). FDI in this regard, should be sustainable in that it will last for a very long time in Namibia, and also in the sense that the investment and its outputs in terms of spill overs contribute to the sustainable development of Namibia”* (Personal communication, September 14, 2016).

Another respondent, Mr. Hatutale, from the NIC states that *“The sustainability of FDI in Namibia is a new approach that aims at correcting past mistakes in the types of FDIs the country has attracted”* (Personal communication, September 12, 2016). Similar to Dr. Akuupa, he further adds that *“Sustainability of FDI is now being emphasised in the new Namibia Investment Promotion Act (Act No. 9 of 2016). Prospects now look better for the country”* (Personal communication, September 12, 2016).



In addition, Mr. Brown from the IJG Securities states that “*Namibia has seen most of its FDI being sustainable with the exception of a few cases such as that of RTN and a few Chinese investments*” (Personal communication, September 12, 2016). Mr. Kiberd, from the Ministry of Finance indicates that “*Although Namibia has done relatively good in terms of attracting sustainable FDI, FDI in general is very volatile and its effects on the country cannot always be predetermined*” (Personal communication, September 15, 2016). This, as shown in the discussion in chapter one and the responses from the former employees of RTN support the notion on the volatility of FDI. With the adoption of the NIP Act (Act No. 9 of 2016), which emphasises some degree of sustainability, the extent of volatility is likely to decrease. The reservation of certain sectors as indicated in section 8 of the NIP Act (Act No. 9 of 2016) will further aid decreasing the volatility referred to above by aligning the type of business activities and its potential benefits to that of the reserved sectors.

Analysis of the findings found that the notions expressed by the respondents above reflect and reaffirm what literature has established. In order for FDI to aid sustainable development, FDI projects must be commercially sustainable and viable themselves while also promoting the host country’s development on economic, environmental, social and governance measures. These measures, in the Namibian case are reflected in, among others, Vision 2030, the NDP4, the NIP Act (Act No. 9 of 2016), the National Environmental Health Policy (2002) and the amended Labour Amendment Act (Act No. 2 of 2012).



**d) Contribution of RTN and Ohorongo Cement to the sustainable development of Namibia**

In addressing the above theme, respondents were required to indicate whether the investments of RTN and Ohorongo Cement have contributed to the sustainable development of Namibia and how. From the responses gathered, it is evident that RTN and Ohorongo Cement have to some extent contributed to the sustainable development of Namibia, though at different extents.

Mr. Kiberd from the Ministry of Finance remarks *“RTN has primarily contributed to development through the provision of employment opportunities to 7000 people”* (Personal communication, September 15, 2016). The creation of employment opportunities is anchored in national plans such as NDP4 and Vision 2030. This contribution, in terms of sustainability, would be of less value as these employees lost their jobs in less than 8 years as illustrated by figures 3 and 4.

He further adds that *“RTN proved to be beneficial in skills transfer to employees. Upon the relocation of the company, these employees might have used this to get other employment in the textile industry”* (Personal communication, September 15, 2016). Contrary to the results obtained from the former employees of RTN, 42% of the sampled former employees indicated that they were to date not able to find alternative employment and attributed that to not having the adequate qualifications and lack of industries to practice skills acquired at RTN. This suggests that the skills obtained at the factory did



not serve to be beneficial to the employees in the long run and thus serves to be against the principles of sustainable employment practices as emphasised by literature.

Mr. Hatutale from the NIC states that, *“RTN has to a lesser extent contributed to the sustainable development of Namibia”* (Personal communication, September 12, 2016). He further opines that *“Upon relocation, everything literally stopped as there were no local business linkages. However, during operation, employees could earn an income they could spend in the economy and micro enterprises benefited through the selling of food stuffs to employees during their breaks”* (Personal communication, September 12, 2016). Despondently, all these benefits were temporary and minimal and as soon as the factory closed shop, all these came to a complete end.

In addition, Mr. Brown from the IJG Securities, states that *“The contribution of RTN was very minimal”*. He explains that *“The textile company was very short lived, provided temporary employment, did not create any long term wealth, and it did not leave the country with a better textile capacity but with a damaged environment through pollution of the underground water”* (Personal communication, September 12, 2016).

Mr. Jauch, a Labour Researcher and Educator adds that *“The large consumption of water at the factory resulted in huge losses for the government in terms of the subsidised water and electricity; there were significant health problems for the employees who were also exposed to discriminatory practices”* (Personal communication, September 5, 2016).

He further adds that *“The unemployment rate was at a high of 51% upon the relocation of RTN in 2008. In addition, potential investors to Namibia might have been discouraged*



*to invest due to the bad reputation RTN brought to the country, thus making it a less favourable investment destination”* (Personal communication, September 5, 2016).

The responses above show that RTN’s lack of sufficient contribution to the sustainable development of Namibia has produced similarities to what literature has alluded to. It has been established that, while MNCs do contribute to public revenue in the form of corporate taxes, their contribution is considerably less than it should be as a result of liberal tax concessions, excessive investment allowances, subsidies and tariff protection provided by the host government as was the case with the RTN under the EPZ Act (Act No. 9 of 1995).

MNCs’ impact on development is very uneven. In many situations, MNC activities reinforce dualistic economic structures and widens income inequalities. The widening in income inequalities was observed at RTN with the very low wages provided to employees as depicted in figure 6.

Literature states that the behaviour pattern of MNCs reveal that they do not engage in R & D activities in underdeveloped countries. No evidence exists that RTN was engaged in R & D. This could largely attributed to the fact, upon relocation of RTN, the textile industry in Namibia was very weak.

Contrastingly, the responses obtained on Ohorongo Cement’s contribution to the sustainable development of Namibia appear to be more positive. The responses suggest that Ohorongo Cement has reasonably had more positive effects on the country at large and has contributed to the developmental objectives of government.



Dr. Akuupa from the LaRRI states that *“Ohorongo Cement has particularly contributed to national and local sustainable development. One such case of local sustainable development is the Ohorongo Otavi Community Trust, which assists vulnerable citizens living within the Municipal area of Otavi to become self-sufficient and educated citizens who, in turn, will be able to contribute towards the growth and development of Namibia”* (Personal communication, September 14, 2016).

He further cites efforts towards sustainable development by Ohorongo Cement and states that *“Other programmes include the Albino Corner; renovation of the Otavi Health Clinic and the donation of hospital equipment and medical attire”* (Personal communication, September 14, 2016).

These programmes and activities can surely go a long way in aiding government meet its goals. These have clearly contributed to developmental goals as prioritised by the Vision 2030. Literature has established that under Vision 2030, one of the driving forces among the complex agents of our development is health. Additionally, this also contributes to one of the SDGs of health. This SDG on health aims to ensure healthy lives and promote well-being for all at all ages. These programmes and activities can only be considered sustainable depending on the duration of Ohorongo Cement in Namibia.

Mr. Hatutale from the NIC states that *“Due to the nature of the product (cement), Ohorongo Cement is producing; they play an important role in the construction industry, which over the years has contributed significantly to development and industrialisation in particular. They have additionally established local business linkages and on the social*



*front through the Otavi Community Trust. Contrastingly, Ohorongo Cement has demonstrated that they will be in Namibia for a long period”* (Personal communication, September 12, 2016).

He further adds that *“Ohorongo Cement has created sustainable jobs with sustainable incomes, they contribute to the wealth of the country, they contribute towards environmental efforts such as bush encroachment, clearing of bushes, with cooperative agreements with the Ministry of Health and Social Services, donation of specialised medical equipment and the installation of solar geysers at school hostels in Otavi. The skills transfer to employees and linkage to local businesses remains significant”* (Personal communication, September 12, 2016).

Mr. Kiberd from the Ministry of Finance adds to this and states that *“The operations of Ohorongo Cement have been good in the sense that imports of cement are now kept very minimal and serves to be advantageous in increasing foreign currency reserves and financing the current trade deficit”* (Personal communication, September 15, 2016). He further adds that *“Ohorongo Cement has been very strategic in the CSR initiatives they undertake as they appear to be directly contributing to aiding government attain its developmental objectives as highlighted in various national documents. These include the donation of wheelchairs, commodity chairs, walking frames, donation of ambulance to the Otavi Town Council, painting & installing electricity at Otavi and Outjo sports facilities, donation of equipment to Etunda clinic and supporting the Shack Dwellers Federation Housing Initiative”* (Personal communication, September 15, 2016).



From the above responses, it appears Ohorongo Cement has, through its various programmes and activities contributed to the socio-economic development of the country at large. The responses show that the company has contributed to creating jobs, providing training and transfer of knowledge, providing finance, strengthening the Namibian economy and improving the balance of trade, and clearly supporting national development plans, strategies and policies such as the Vision 2030, NDP4, Industrial Policy, Growth at Home Strategy and the HPP. The contribution of Ohorongo Cement to the developmental aspirations of the country appears to be supported by literature that emphasises that companies should care about their stakeholders' interests and at the same time, place more emphasis on other areas apart from solely profit making. The stance on this approach stems from the fact that nowadays stakeholders are not only concerned about profits, they are more interested in the impact their operational activities have on various economic, environmental, governance, and social factors.

#### **e) Challenges faced by foreign owned companies**

In responding to the above theme, respondents were required to provide their views on what they thought are the challenges foreign owned companies are confronted with in their efforts towards sustainability. It emerged from the study that there are various challenges that foreign owned companies are faced with and that hinder their efforts at being sustainable. Mr. Hatutale from the NIC states that “*Compliance to various laws can be costly to foreign investors*” (Personal communication, September 12, 2016). This may include compliance to environmental standards and labour relations regulations. The National Environmental Health Policy (2002) alludes to the fact that health and safety



standards in the workplace should always be adhered to. This may present a challenge to foreign owned companies in that it may be costly for them to purchase protective clothing and equipment to promote health and safety for the employees. This appears to suggest that the financial implications in adhering to various laws and policies resorts in non-compliance.

Mr. Brown from the IJG Securities states that *“Meeting profit margins can be a challenge for foreign investors. Clearly, once a company is not able to meet its profit margins, it would affect its general contribution to sustainable development of the host country, and may even end up closing shop”* (Personal communication, September 12, 2016). This was the case with RTN, as one of the reasons for RTN’s choice to relocate was that it was not meeting its profit margins. Despite its contribution to sustainable development being minimal, the employees who lost their jobs were affected and this increased the unemployment rate to an all-time high of 51% (NSA, 2013) as shown in figure 40.

Mr. Kiberd from the Ministry of Finance adds to these challenges and states that *“The price of utilities such as water and electricity is quite high in Namibia with periodic steep increases. The newly introduced NIP Act (Act No. 9 of 2016), states that in times of an economic crisis, foreign investors need to obtain permission from the Minister to repatriate money from the country”* (Personal communication, September 15, 2016). Mr. Kiberd appears to be speaking about Section 1 (b) of the Act as discussed in chapter two. This, in my view, creates uncertainty as no one would be able to predict an economic crisis in future. Consequently, this is likely to create a challenge for foreign investors as they



may choose to close shop while they can move their money, whereas potential investors will choose not to invest in Namibia at all. This challenge of uncertainty will clearly affect the extent to which FDI can contribute to the sustainable development Namibia.

Additionally, Dr Akuupa from the LaRRI stresses that *“Quite often, becoming sustainable against government goals comes at a cost. This cost might in some cases, be very large to the extent of the company not being able to finance it”* (Personal communication, September 14, 2016). The above sentiments expressed by the respondent coincide with literature that reports that foreign owned companies have expressed difficulty in ensuring their operational activities are sustainable vis-à-vis host governments’ objectives. This arises as the cost of becoming sustainable commonly rests on the company itself.

Literature on this further offers a solution that appears to be ideal in Namibia. Challenges expressed by foreign investors in terms of the cost implications of being sustainable may be mitigated by using smart methods and technology that may not always be costly. Additionally, support from the Namibian government can be sought in terms of sponsorships to aid a company’s operations become sustainable.

#### **f) Responsibility for ensuring FDIs are sustainable**

Respondents were required to indicate who they thought is responsible for ensuring FDIs are sustainable vis-à-vis government developmental aspirations. This theme produced mixed responses with consensus being on the fact that both the government and the foreign investor should be charged with the responsibility of ensuring FDI sustainability. Mr. Hatutale, from the NIC opines that *“Most of this responsibility lies with government. This*



*is due to the fact that foreign owned companies have no obligation to ensure they are sustainable vis-à-vis government objectives”* (Personal communication, September 12, 2016). The respondent further adds that *“Foreign investors are usually profit driven and give no priority to matching their goals with that of government”* (Personal communication, September 12, 2016).

Contrastingly, Dr. Akuupa from the LaRRI indicates that *“Sustainable strategies should be inherent in foreign investment proposals to government. Therefore, responsibility lies with the investor”* (Personal communication, September 14, 2016).

Mr. Brown from the IJG Securities adds that *“Government has to make sure that they prevent market failure that may occur as a result of foreign investors not being sustainable against government goals. This often can be ensured through the enforcement and development of laws”* (Personal communication, September 12, 2016). Similarly, Mr. Kiberd from the Ministry of Finance shares the sentiments of Mr. Brown above and adds that *“It is the responsibility of both the host government and the foreign investor. Government would like to see FDI contributing to its objectives and the foreign investor would like to see improved relations with government and society which would increase the prospects for sustainability. Though no foreign investor can be forced to be sustainable, this can be encouraged by the host country through incentives. E.g. reducing tax bill for environmental safety practices”* (Personal communication, September 15, 2016). A quid pro quo approach seems to be the emphasis here.



Furthermore, Mr Jauch, states that *“It is the responsibility of government and the investor. In Namibia, this has come forth with Ohorongo Cement, which appears to be sustainable due to the IIP status accorded to it by government”* (Personal communication, September 5, 2016). Interestingly, the above assertion by Mr. Jauch seems to suggest that Ohorongo Cement would not be sustainable without IIP status. This could be attributed to the fact that Ohorongo Cement would face foreign competition that may force it into closure and thus not being sustainable. In terms of the foreign investor, the Mr. Jauch adds that *“They are responsible for ensuring they conduct their business efficiently considering the economic, social, governance and environmental aspirations of the country”* (Personal communication, September 5, 2016).

The views expressed by Mr. Hatutale and Mr. Brown above coincide with literature that has found that governments should set the agenda for social responsibility with laws and regulation that describe how to conduct business responsibly. The concept of CSR brings forth a new dimension to FDI sustainability. This comes as direct contributions to government objectives i.e. supporting schools and upgrading local sports facilities are done through CSR plans of foreign owned companies.

However, the contrasting view offered by Dr. Akuupa places responsibility on the foreign investor. This view is supported by the assertion that FDIs in various sectors of an economy complicates regulatory processes for governments. This complexity brought into relief an alternative way of self-regulation of foreign owned companies which allows each corporate actor to balance profits and social responsibility without cumbersome



governmental involvement. Mandated CSR distorts the allocation of resources and increases the likelihood of irresponsible decisions in foreign owned companies. The views of Mr. Kiberd and Mr. Jauch provide a better alternative to the contrasting views of Mr. Hatutale, Mr. Brown and that of Dr. Akuupa. Mr. Kiberd and Mr. Jauch have alluded to the fact that this responsibility should be placed on both the government, as well as the foreign investor. The joint sharing of responsibility between the government and the investor in ensuring FDI sustainability is likely to yield a more lasting positive effect on the investor, as well as government development goals and objectives. Additionally, efforts at sustainability are likely to succeed if both stakeholders join forces.

**g) Effectiveness of current laws, strategies and policies in ensuring FDI's are sustainable vis-à-vis Namibia's developmental aspirations**

Respondents were required to provide their view on whether current laws, policies and strategies were adequate in ensuring FDI's are sustainable vis-à-vis governments' developmental agenda. Consensus was that, despite a few shortcomings, the legal framework on FDI is generally good. However, the biggest shortcoming is with the implementation and execution of these laws, policies and strategies.

Mr. Hatutale states that *"The implementation has over the years lacked and would therefore defeat the purpose of having these laws, strategies and policies if they are not being implemented or enforced"* (Personal communication, September 12, 2016). In addition, he states that *"The NIP Act (Act No. 9 of 2016), makes provision for the reservation of various economic sectors for government and domestic investors. This will*



*risk deterring FDI into certain sectors other than natural resources, where investors would likely have alternative country options to consider*” (Personal communication, September 12, 2016). The above is reflected in section 8 (1) of the NIP Act (Act No. 9 of 2016), as discussed in chapter two.

Mr. Jauch, opines that *“The laws are fine, but contradictory to the economic system which places emphasis on FDI being profit driven”* (Personal communication, September 5, 2016). He further adds that *“The EPZ Act (Act No. 9 of 1995) did not fulfil its aims and objectives with regards to creating 25,000 jobs, increasing the amount of manufactured goods produced, expanding industrial development and assisting in the transfer of skills and technology in the zones, therefore needs to be done away with”* (Personal communication, September 5, 2016).

Similar to Mr. Kiberd earlier, further ineffectiveness of laws is expressed by Mr. Brown who states that *“In the NIP Act (Act No. 9 of 2016), there is a clause that states that there is no guarantee that foreign investors would be able to repatriate their capital or profit out of the country”* (Personal communication, September 12, 2016). Mr. Kiberd above, is refers to section 1 (b) as discussed in chapter two. This would negatively affects investor confidence and might serve to discourage potential investors from investing into the country. This would additionally create a problematic situation in the event that shareholders of foreign investments are not Namibian and need to get their dividends. Additionally, a foreign investor may need to pay back a loan that financed the investment.



It appears that, despite RTN having been an EPZ company and receiving various incentives, literature states that one of the reasons it relocated was due to the fact that it could not meet its production and profits targets. Having being an EPZ company, with all the benefits accorded to it as per the Act, the company was still not able to remain viable for a prolonged period. Additionally, the Act does not appear to be well aligned to Vision 2030, NDP4, or the Growth at Home strategy. Indeed, this brings into relief the issue of whether the EPZ Act (Act No. 9 of 1995) should be done away with as advocated for by one of the respondents. The none-alignment hereof has been recognised by literature as a challenge of policy formulation as it states that it is often a challenge for national governments to connect the investment policy framework to an overall development strategy or industrial development policy and to ensure coherence with other policy areas.

#### **h) Additional strategies to promote sustainable FDI in Namibia**

Respondents were required to provide additional strategies that can promote sustainable FDI in Namibia. Mr. Brown from the IJG Securities suggests that *“Government should do away with the IIP Act (2002) and rather use tax money to subsidise some of the emerging industries”* (Personal communication, September 12, 2016).

In addition, Mr. Jauch submits that *“There is a need to establish operational conditions on foreign owned companies in terms of the damage they may cause, on for example the environment. From the onset, investment agreements should stipulate that the foreign investor will assume responsibility for rehabilitation of an environment that was damaged*



*on account of the business activities of the investment*” (Personal communication, September 5, 2016).

Dr. Akuupa from the LaRRI states that *“National interests can only be reflected in foreign owned companies’ plans if support from government is inherent”*. The respondent further adds that *“Through this support, government could ensure national interests are reflected and protected in foreign investments”* (Personal communication, September 14, 2016). Indeed, the support referred to hereof have been mandated to the NIC. The NIC, according to section 6 (2) of the NIP Act (Act No. 9 of 2016), functions to (b) to promote both foreign and domestic investment by identifying specific projects and inviting interested investors for participation in those projects.

In proposing additional strategies, a very different approach was brought forth by Mr. Kiberd from the Ministry of Finance who states that *“Foreign investors should not be obliged through legislation to contribute to the developmental aspirations of the country, as this would make the country less attractive for FDI”* (Personal communication, September 15, 2016).

I find this assertion by Mr. Kiberd to be quite problematic. Firstly, Namibia exists in a global village that interacts through international trade, and FDI is therefore, imminently to exist in Namibia. FDI usually brings forth an array of costs and benefits to the host country. Ensuring maximum benefits are derived from FDI can be done through legislation that will similarly allow it to mitigate the costs/challenges associated with FDI.



Further analysis reveals that the strategy proposed by Mr. Brown above would at this stage not be viable. This is a result of the fact that tax subsidies would have to be significant amounts that the current tax revenue pool would be able to sustain, despite the premature domestic market that exists in Namibia.

#### **i) Prospects for sustainable FDI in Namibia**

Respondents were required to provide what they envisaged the future of sustainable FDI in Namibia to be. A Dr. Akuupa from the LaRRI states that *“Despite there being a few challenges, the economic, political, social and environmental conditions in Namibia are favourable for foreign investment and will result in further attraction of FDI and retainment of those currently in the country”* (Personal communication, September 14, 2016).

Mr. Hatutale from the NIC adds that *“The prospects are currently good. This is a result of the significant attraction of FDI which have in most cases yielded positive spill overs for the country at large”* (Personal communication, September 12, 2016).

Mr. Jauch, a Labour Researcher and Educator, states that *“Currently, FDI is primarily in the resource extraction and financial services sectors, which are, the most profitable. Despite this high level of profitability, these two sectors do not correspond to the developmental objectives of Namibia”* (Personal communication, September 5, 2016).

None alignment expressed here above is evident with the Vision 2030 that recognises the manufacturing industry as one that can provide the most employment opportunities in the country and aims to reduce the unemployment rate to under 5% by 2030. In respect of the



above and as reflected in chapter two, there are various policy options to respond to the challenge of mobilising funds and channelling investment towards sectors/industries that often remain under-served by private investors. One that particularly stood out was the ***Sustainable-development-oriented investment incentives option***. This option would transform investment incentive schemes from purely location-based incentives towards sustainability-based incentives, aiming to promote investment in relevant sectors and conditional upon their sustainable development contribution. This can prove to be very beneficial for Namibia.

However, Mr. Brown from the IJG Securities opines that *“The lack of implementation and proposed improvements from the policy perspective will see Namibia struggling with foreign investment. From a macroeconomic point of view, the recent announcement from government that it is running out of money will likely result in a big economic slowdown. If this is not addressed quickly and in the right way, our currency might end up being de-pegged from the South African Rand”* (Personal communication, September 12, 2016). This will imminently see the outflow of FDI from Namibia, and thus affecting sustainability and development.

The favourable investment conditions in Namibia as expressed by Mr. Hatutale from the NIC above are congruent with what was stated by the literature that Namibia has political stability, a favourable macroeconomic environment, an independent judicial system; protection of property and contractual rights, good quality of infrastructure, and easy access to South Africa as well as the rest of the SADC. Indeed, the outlook in terms of



sustainable FDI in Namibia looks favourably good. The good investment climate and the recent adoption of the NIP Act (Act No. 9 of 2016) will see Namibians benefiting more from FDI.

#### **4.2.1.4.2. Ohorongo Cement Management**

The responses contained here below are aimed at getting insight into some of the issues pertaining to sustainable FDI in Namibia from an investors' point of view. This was done to enable the researcher to identify similarities and departures from the views expressed by the individuals from the stakeholder organisations as well as the employees of Ohorongo Cement.

##### **a) View on FDI in Namibia**

The respondents from Ohorongo Cement were required to provide their view on FDI in Namibia. Mr. Schütte, from Ohorongo Cement indicates that *“Indeed Namibia is a more favourable destination compared to the neighbouring countries. This emanates from the good political arena, legal system and taxes. FDI in Namibia clearly remains important in aiding government meet some of its goals. Despite the country doing very well in the mining industry, we remain dependent on neighbouring countries for manufacturing”* (Personal communication, September 12, 2016). This dependency is in direct contradiction with the Growth at Home Strategy (2013) under the Industrialisation Policy (2013), which aims to attain the strategic objectives of manufacturing as outlined in the NDP4.



### **b) Ohorongo Cement's attraction to Namibia**

The respondent was required to provide reasons on what attracted Ohorongo Cement to Namibia. Mr. Schütte indicates that *“One of the factors was that Namibia is a niche market where we could play a big role because there was no industry”* (Personal communication, September 12, 2016). The respondent further adds that *“A stable political system, good legal system, good infrastructure and utility costs are also some of the factors that influenced our investment decision to Namibia”* (Personal communication, September 12, 2016). The above appears to be congruent with the Neoclassical Theory. Under this theory, foreign investors invest their capital assets from low-return to high-return countries to acquire more profits. Clearly, Namibia is a high-return country due to the niche cement market that was present. This, would according literature classify Ohorongo Cement as a market seeking FDI. The purpose of market seeking FDI's is to serve local and regional markets. In support of the above, literature states that, half of Ohorongo Cements' product is marketed in Namibia and the remainder in the rest of the SADC countries.

### **c) Ohorongo Cement's contribution to development of Namibia**

The respondent was required to state the extent Ohorongo Cement contributes to the developmental objectives of the Namibian government. Mr. Schütte indicates that *“Yes, Ohorongo has contributed to government objectives. The first contribution of the company is through employment creation. The provision of jobs that are sustainable for the long term. The company has additionally subcontracted a lot, from security to the canteen at*



*the plant and transport. Namibian subcontractors are given preference in these contracts”* (Personal communication, September 12, 2016). This serves to diversify the economy.

He adds that *“All raw materials required for the production process are sourced in Namibia and the entire value chain takes place within the country”* (Personal communication, September 12, 2016). Mr. Schütte provides examples of this and states *“The provision of wooden pallets to Ohorongo Cement are sourced from a small family business in Otavi. Chips that are needed for the cement production process are bought from a family business in the Naukluft-Park. These businesses are supported by Ohorongo”* (Personal communication, September 12, 2016).

Mr. Schütte adds that *“Further contribution to Namibian developmental objectives is through training of staff. This was due to the fact that there was no cement industry in Namibia. Before the opening of the plant, 60 people were sent to Germany for training at a cost of N\$ 20 million. Also, the Otavi Ohorongo Community Trust has enabled us to contribute more socially to the Namibian community through our CSI activities. We have further embarked on providing houses to employees, to which we have committed N\$ 9 million and project will commence soon”* (Personal communication, September 12, 2016).

The contributions of Ohorongo Cement to Namibia’s development appear to be supporting the objectives of the NIP Act (Act No. 9 of 2016). The NIP Act (Act No. 9 of 2016) aims to promote sustainable economic development and growth through the mobilisation and attraction of domestic and foreign investments that:



- (i) enhances the economic development objectives of Namibia to build a prosperous, industrialised society with adequate direct investment to, among other things, encourage the creation of employment, wealth, technology transfer, capacity building, value addition to natural resources and foreign currency generation;
- (ii) reduces unemployment, poverty and economic inequality in Namibia;
- (iii) accelerates the growth and diversification of the Namibian economy;
- (iv) facilitates domestic investments, particularly in priority economic sectors; and
- (v) provides for other matters on investment promotion, admission, treatment and management.

The production of cement from raw materials to the final product at the cement plant in Otavi contributes to the attainment of some of the goals of the Industrial Policy (2013). In terms of the production and export structure, the policy states that Namibia should built the bridge from producing and exporting predominantly primary commodities to offering value added goods.

In addition, the established local business linkages and social development efforts through the Ohorongo Otavi Community Trust have indeed, directly contributed to the pillars of the HPP. These pillars are: Economic Advancement; Social Progression; and Infrastructure Development. These are further intertwined with the three overarching goals of NDP4, which are: to achieve high and sustained economic growth, increased income equality and employment creation. The provision for housing to employees supports the drive for housing in the HPP.



The above contributions are in line with literature that states the beneficial roles that foreign investments play in bringing several other benefits to the host country are:

- the domestic labour may benefit in the form of higher real wages;
- the consumers benefit by way of better quality products;
- investments also induce more domestic investment. For example, ancillary units such as the wooden pallet business were set up to supply Ohorongo Cement with the wooden pallets; and
- foreign investors' expenditures on research and development (R&D), although limited, is bound to benefit the host country.

**d) Challenges faced by Ohorongo Cement in their efforts at further sustainability**

The respondent was required to provide the challenges faced by Ohorongo Cement in its efforts at further sustainability. Mr. Schütte states that *“Electricity costs at the moment are quite high, it consumes 22% of our production costs. With the yearly rate steep increases, this poses a further challenge. Competition in neighbouring countries has brought the export rate to under 10%. This is made even more difficult due to the high inland logistical costs of transporting cement”* (Personal communication, September 12, 2016).

He further adds that *“Ohorongo has positioned itself to maximise its exports, though from a small base. With Angola specifically, we wanted to export to southern parts of the country but this was not realised as getting an export permit in Angola proved very*



*challenging. Additionally, time spent at the border was too long on the Angolan side and this discouraged transport companies from transporting goods there. Finally, there is limited liquidity in the Angolan market at the moment especially in the advent of commodity prices going down”* (Personal communication, September 12, 2016).

The above challenges can be attributed to the market system adopted and is supported by literature that states, regulators face a complex problem if they are to improve on the welfare outcomes that arise from free-market interactions. In the advent of such challenges, the proposal of doing away with the IIP Act (2002) might result in the closure of the cement factory. Removal of the IIP status would expose Ohorongo Cement to external competition. In addition to the above challenges, clearly the removal of the IIP status to the industry would see Ohorongo Cement exposed to external competition in a levelled playing field that might result in its closure. In an effort to promote sustainable FDI and development, the removal off the IIP status to the cement industry would serve against the drive towards sustainability.

**e) Proposal to stakeholders to further aid Ohorongo Cement and other foreign owned companies in their efforts at being sustainable**

In responding to this, Mr. Schütte was required to furnish a proposal to stakeholders on how they could aid Ohorongo Cement and other foreign investors to be sustainable. He states that *“We want to have fair competition, not only in the country, but against imports and adherence to the quality standards. Competitors of Ohorongo Cement should meet established high standard of cement quality”* (Personal communication, September 12,



2016). He further adds that *“In an effort to level the playing field, stakeholders should look at the fact that local companies contribute more to local development, for example through employing the locals, contribution to government coffers through company tax, town levies, of which importers are exempted”* (Personal communication, September 12, 2016). The above appears to suggest the cement quality of other producers that import into Namibia is below the standards of those by Ohorongo Cement. Therefore, levelling the playing field in this regard, which will contribute to the levels of sustainability in the long run remains important to Ohorongo Cement. In terms of competition, the concerns raised by Mr. Schütte supports the Growth at Home Strategy that aims to support local based businesses that are likely to have desired direct benefits to the development of the country.

**f) Prospects for sustainable FDI in Namibia with reference to Ohorongo Cement**

The respondent was required to state what they envisaged the future of FDI in Namibia to be, with particular reference to Ohorongo Cement. Mr. Schütte states that *“Prospects look good so far. The IIP gives Ohorongo Cement time to ensure that by 2018, when the IIP status lapses, they would be ready to face local and international competition sustainably”* (Personal communication, September 12, 2016). In working towards this, he adds that *“This has so far been done by training its personnel, gradually meeting industry requirements in terms of CSI activities, and to gain confidence in the market. Gaining confidence in the market has been done through international projects such as the*



*construction of the ST Helena Airport to gain credibility”* (Personal communication, September 12, 2016). The good prospects expressed here above could perhaps be linked to what literature earlier alluded that practicing CSR actually benefits companies significantly and increases their longevity when they implement it effectively in the long term.

Clearly, once these preparatory measures have been concluded, Ohorongo Cement will be ready to ensure long-term sustainability after the IIP status lapses. However, there is a need to see further investment in other industries that can provide huge employment opportunities such as steel, alternative electricity, water (Desalination).

#### **4.2.1.5. Findings obtained from the ratings on RTN and Ohorongo Cement by stakeholder organisations**

In an effort to substantiate the results as produced by the employee questionnaires and interview schedules, ratings on RTN and Ohorongo Cement were completed by the individuals from the stakeholder organisations as identified in chapter three. The ratings on economic, environmental, social and governance indicators were done on a scale from extremely poor to extremely good. This was done to specifically point out the cost or benefit each company had on the various indicators and sub-indicators.

In terms of the scale used, the good, very good and extremely good points in the scale indicate the contribution of a foreign owned company being positive and how much it has benefited the indicator. The opposite end of the scale is represented by poor, very poor and extremely poor. This indicates the degree to which the concerned foreign owned



company negatively contributed to the indicator by incurring costs on it. However, in the middle of the scale is an option for neutral, this means that the specific sub-indicator is irrelevant to the concerned foreign owned company or respondent has no opinion on it.

#### 4.2.1.5.1. Ratings – Ramatex Textiles Namibia

##### 4.2.1.5.1.1. Economic Indicators

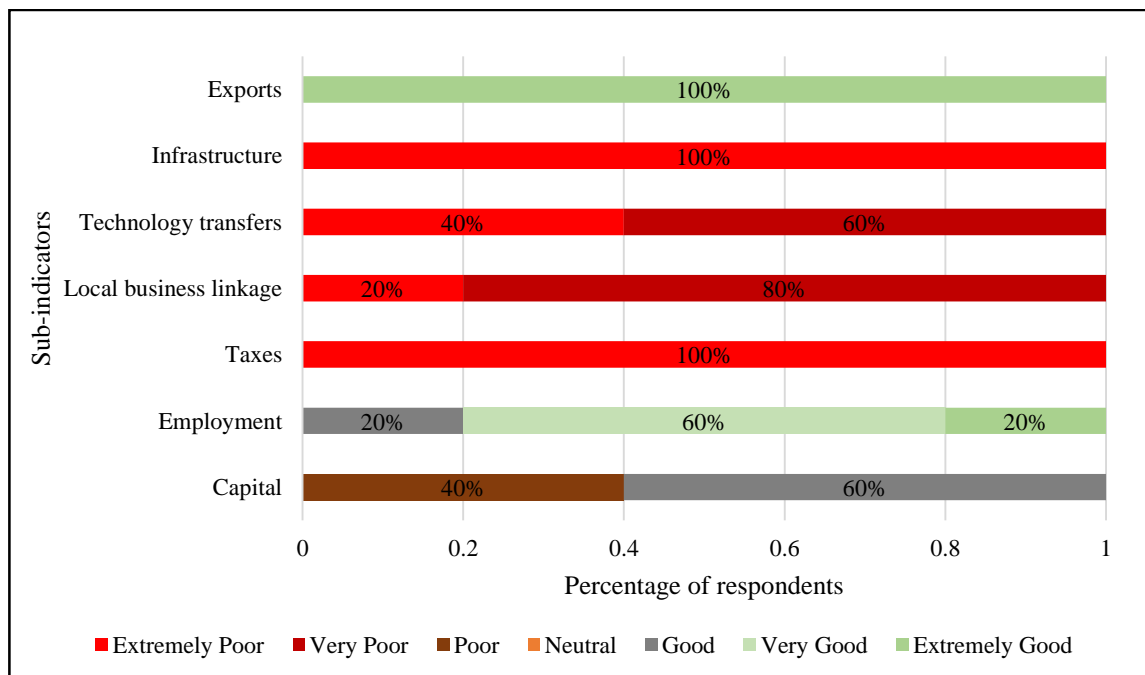


Figure 31: Economic indicators - RTN

Figure 31 above shows the ratings on the economic indicators. In terms of capital, 40% of the respondents indicated poor, while 60% were neutral. The negative rating hereof could be attributed to the fact that RTN did not last very long in Namibia and did not see it being invested into the community through CSR as prioritised by literature (Kotler & Lee, 2005; Sharma & Mehta, 2012; and Eccles, Ioannou, & Serafeim, 2012). The employment sub-indicator was rated by 20% of the respondents as neutral, 60% indicated it as very good



and 20% extremely good. The more positive rates on this sub-indicator appears to be on account of the 7000 employment opportunities that RTN provided.

In terms of taxes, all the respondents indicated extremely poor. RTN was an EPZ company, which according to the amended EPZ Act (Act No. 9 1995), was exempted from paying company tax and therefore did not contribute to the tax revenue of government. The local business linkage sub-indicator was rated by 20% of the respondents as extremely poor and 80% as very poor. This is supported by participant responses that upon relocation, everything literally stopped as there was no local business linkages. No local businesses were incorporated in the operational activities of RTN. The technology transfers sub-indicator was rated by 40% of the respondents as extremely poor, while the remaining 60% indicated very poor. These ratings suggests that there were no technology spill overs from the RTN investment. This is contrary to what literature earlier stated, that FDIs play a major role in developing countries as they act as a long term source of advanced and developed technologies. All the respondents indicated an extremely poor rating on the infrastructure sub-indicator. Similar to taxes, the extremely poor rating on infrastructure submits that there was no positive impact in terms of development. Finally, all the respondents rated the exports as extremely good. The good ratings on exports does in fact imply that exports were significant. Exports by RTN were done under the AGOA, which permitted duty free exports to the USA.



#### 4.2.1.5.1.2. Environmental Indicators

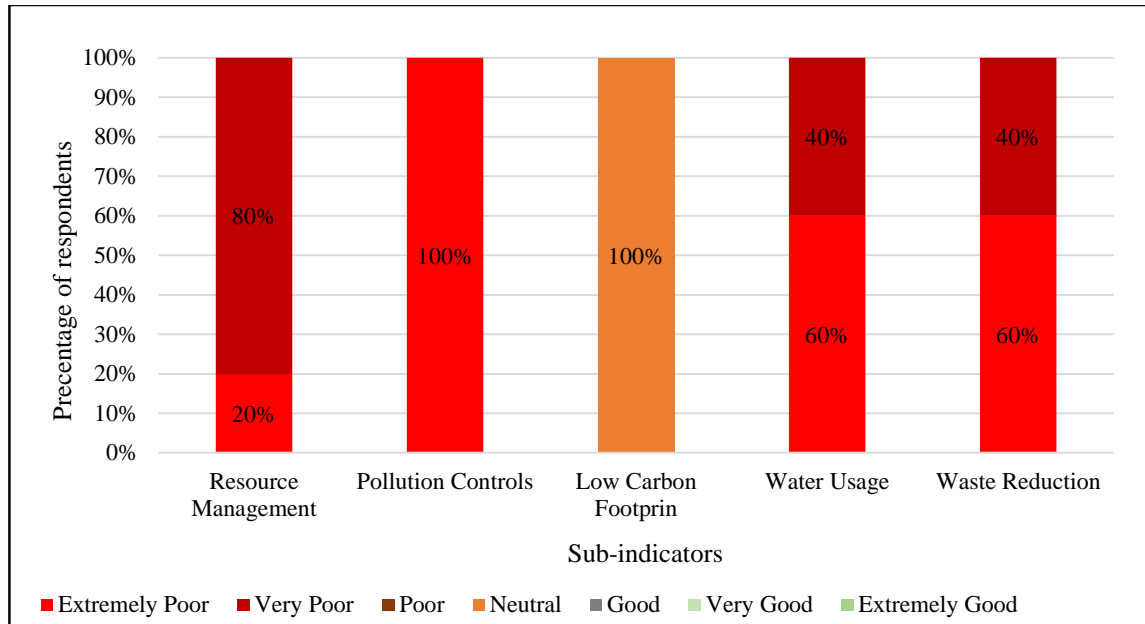


Figure 32: Environmental Indicators - RTN

Figure 32 above depicts the ratings on the environmental indicators. The resources management sub-indicator was rated by 20% of the respondents as extremely poor, while 80% rated very poor. This indicator relates to the way RTN impacted on the natural environment. The negative rating hereof affirms what stakeholder organisations respondents earlier stated that RTN damaged environment through pollution of the underground water. The pollution of underground water similarly coincides with the pollutions controls sub-indicator. This indicator was rated extremely poor by all the respondents. The low carbon footprint was rated neutral by all the respondents. The water usage sub-indicator was rated by 60% of the respondents as extremely poor, while the remaining 40% rated very poor. This negative rating on water can be substantiated by the fact that RTN used very large quantities of water for its operations. Similarly, the waste



reduction sub-indicator was rated extremely poor by 60% of the respondents, while 40% rated it as very poor. Consequently, this indicator received a negative rating due to a lack of effort in reducing waste which resulted in pollution as indicated above.

#### 4.2.1.5.1.3. Social Indicators

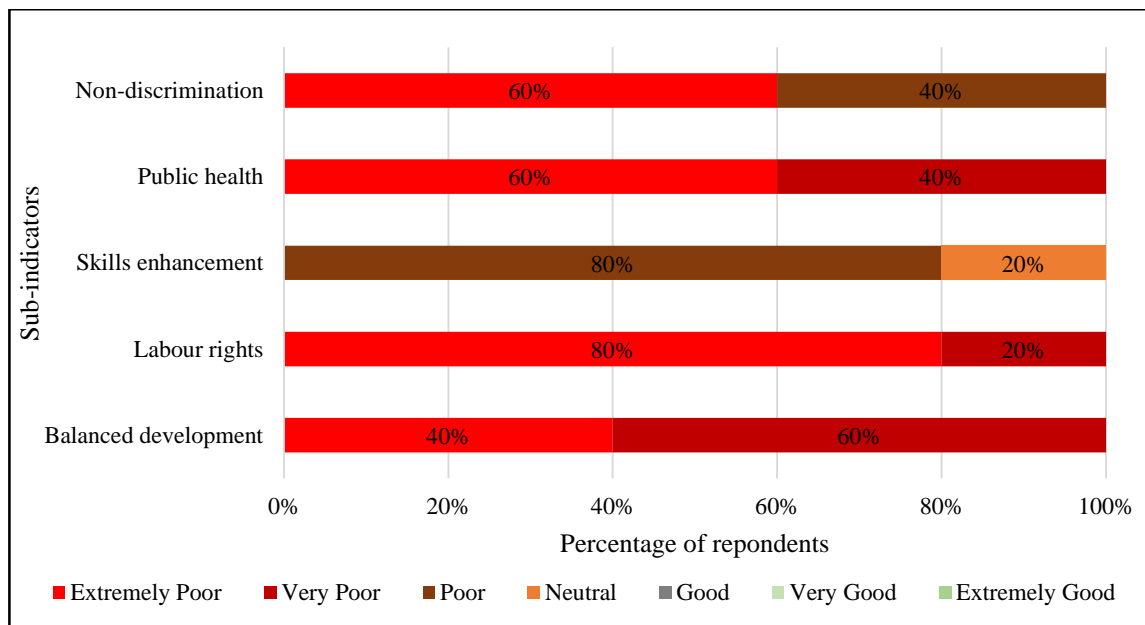


Figure 33: Social Indicators - RTN

Figure 33 above presents the ratings on the social indicators as contributed to by RTN. In terms of balanced development, 40% of the respondents indicated extremely poor, while 60% rated it as very poor. This suggests that there were no distribution of development benefits, both regionally and among individuals in the long term. The labour rights sub-indicator was rated by 80% of the respondents as extremely poor, while the remaining 20% rated very poor. This indeed gathers that key fundamental labour laws were not adhered to by RTN. This is further evidenced by the results from the employee survey that yielded negative results in terms of the work conditions, such as health and safety. These



are presented in section 4.2.1.2. In terms of the skills enhancement sub-indicator, 80% of the respondents indicated poor, 20% as neutral. This low ratings are further supported by the 42% of the former RTN employees who were to date not able to find, and the 29% thereof who indicated it was primarily due to a lack of industries that required skills acquired at RTN (See sections 4.2.1.2.14. and 4.2.1.2.15.). This shows that the skills obtained at RTN did not help in aiding them get alternative employment. The public health sub-indicator was rated by 60% of the respondents as extremely poor, while the remaining 40% rated it as very poor. The results from the former RTN employees show that 58% suffered from various ailments as a result of working at the factory and could thus be attributed to this ratings (See section 4.2.1.2.11). In terms of the non-discrimination sub-indicator, 60% of the respondents rated it as very poor, while the remaining 40% rated poor. This suggests stakeholders such as employees were exposed to discriminatory practices, which indeed does contradict the amended Labour Amendment Act (Act No. 2 of 2012) which prohibits discrimination in the workplace.



#### 4.2.1.5.1.4. Governance Indicators

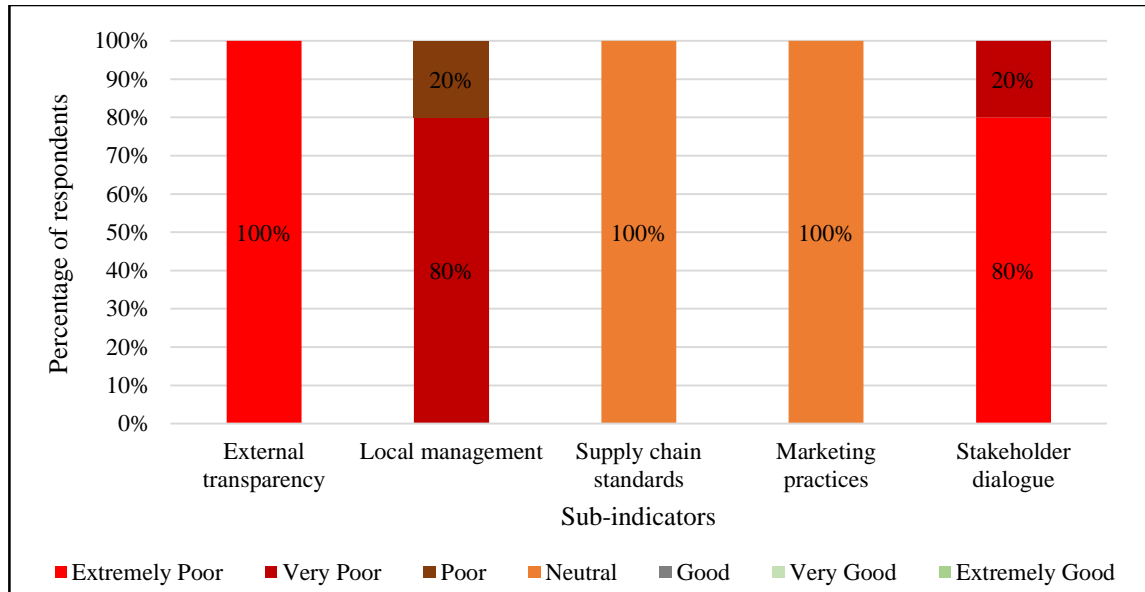


Figure 34: Governance Indicators - RTN

Figure 34 above depicts the governance indicators and sub-indicators as impacted on by RTN. In terms of external transparency, all the respondents rated in extremely poor. Literature has found external transparency to include business structures that incorporate external transparency through monitoring, auditing or personnel systems that facilitate beneficial access to information regarding corporate policies and operations. Based on the ratings obtained, RTN was not externally transparent and perhaps thus perpetuated the extent of pollution as shown under the environmental indicators above. The local management sub-indicator was rated by 80% of the respondents as very poor, while 20% rated poor. This refers to the extent locals are included in management positions of a company. The ratings appear to suggest there were no Namibians involved in the management of RTN. Supply chain standards and the marketing practices sub-indicators were both rated neutral by all the respondents. Finally, the stakeholder dialogue sub-



indicator was rated extremely poor by 80% of the respondents, while the remaining 20% rated it very poor. Communication with stakeholders appears to have been insufficient and might also explain the poor working conditions the former RTN employees were subjected to as well as the extent of damage on the environment through pollution.

#### **4.2.1.5.1.5. Summary of the ratings on RTN**

The results as presented above were meant to sketch an idea of the contribution of RTN towards the development objectives of Namibia as encompassed in the various indicators above. Also, the intention was to draw additional evidence that will be used to show whether all FDIs are detrimental towards the sustainable development aspirations of the country.

In terms of the results obtained on RTN, most of the ratings lean more on the poor side of the scale with the exception of a few sub-indicators, thus demonstrating the general costs incurred on the various indicators. Economically, most of the sub-indicators such as infrastructure, technology transfers, local business linkage and taxes have received a negative rating. This implies that, during its existence, RTN did not contribute to NDP2 and NDP3 in terms of the high economic growth goal and thus posed a challenge to FDI sustainability. However, exports, employment and capital sub-indicators were rated relatively more positive in terms of the contribution of RTN. Despite exports being very high, it has not generated any revenue for the government due to the AGOA agreement under which RTN exported. Exports being high appear to be perceived as a positive contribution despite this revenue generation flaw brought forth by the AGOA agreement.



Contribution to employment was done through the employment of 7000 people, at peak, at the factory. However, these jobs did not contribute to reduction of income equality goal of NDP2 and NDP3. Capital investment of RTN was considered to be relatively significant as it resulted in the creation of employment opportunities for 7000 people and thus positively contributed to the increased employment goal.

The environmental indicators received an overall negative rating on RTN. Most of the violations, as discussed, were in direct contravention of the National Environment Health Policy (2002). RTN exposed both the employees and surrounding communities to various health risks and hazards. Social indicators were overall negative. The environmental degradation impacted on public health, as employees and surrounding communities were affected by the reduction of air quality. Discrimination and labour rights sub-indicators ratings were rated negatively and appear to suggest the amended Labour Amendment Act (Act No. 2 of 2012) was violated in more ways than one. There was generally no adequate skills enhancement of the local people and no balanced development was observed. This is supported by the view that the management, entrepreneurial skills, technology, and overseas contacts provided by the MNCs may have little impact on developing local skills and resources. The governance indicators was also rated very negatively. It appears there was no external transparency, no local people in management positions and very poor to extremely poor stakeholder dialogue. Clearly, these indicators on RTN show how the company negatively impacted on the development of the country and its self-sustainability.



#### 4.2.1.5.2. Ratings - Ohorongo Cement

##### 4.2.1.5.2.1. Economic Indicators

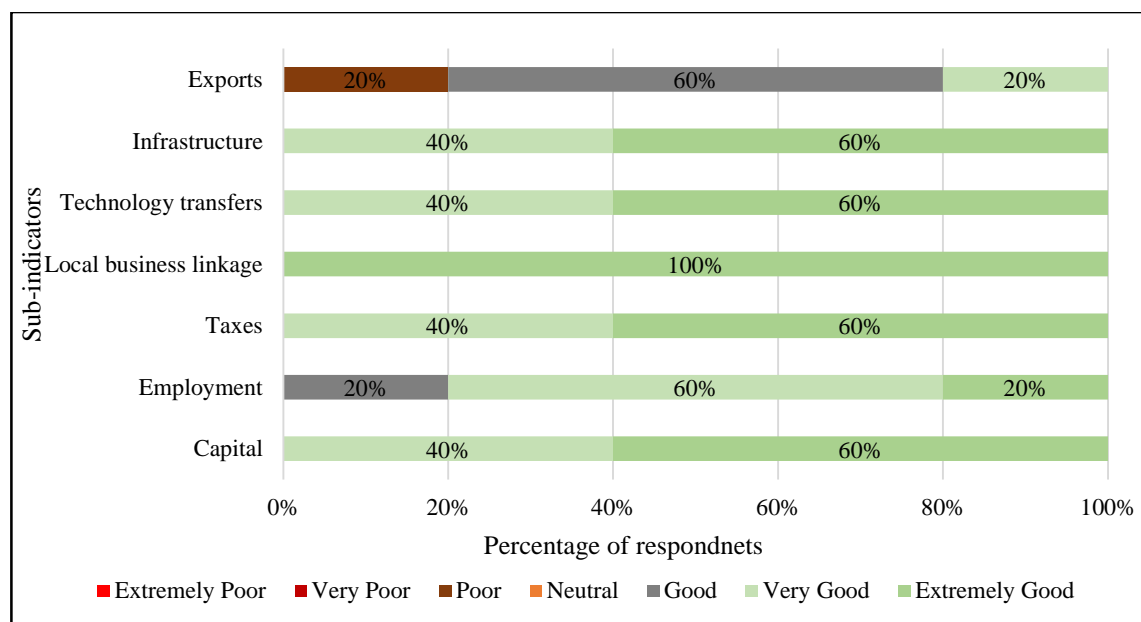


Figure 35: Economic Indicators – Ohorongo Cement

Figure 35 above presents the economic indicators as contributed to by Ohorongo Cement. In terms of capital, 40% of the respondents rated it as very good, while the remaining 60% rated it as extremely good. The good rating on capital can be attributed on the CSI activities of Ohorongo Cement in the community. The employment sub-indicator was rated by 20% of the respondents good, while 60% rated it very good. The remaining 20% rated it extremely good. As evidenced in the results from the current employees of Ohorongo Cement, the employees appear to be enjoying sustainable jobs with sustainable incomes and thus concurs with the positive rating hereof. In terms of taxes, 40% of the respondents rated it as very good and the remaining 60% extremely good. Unlike RTN, Ohorongo Cement is not exempted from paying taxes and thus fully contributes to



government's tax revenue. The local business linkage sub-indicator was rated by all the respondents as extremely good. This supports what Mr. Schütte earlier stated that they have subcontracted a lot of services and source raw material from local businesses throughout Namibia. The technology transfers sub-indicator was rated by 40% of the respondents as very good, while 60% rated extremely it good. This coincides with literature that asserts Ohorongo Cement has been credited with operating the most technologically advanced plant of its kind in Africa. This ties in with literature that states that FDI is a long term source of advanced and developed technologies. In terms of infrastructure, 40% of the respondents rated it very good, while 60% rated extremely it good. The impact Ohorongo Cement has on infrastructure in the country appears to be positive. The respondents indicated that Ohorongo Cement has renovated the Otavi Health Clinic, painted and installed electricity at Otavi and Outjo sports facilities and has supports the Shack Dwellers Federation Housing Initiative that aims to build low cost houses for low income earners. The exports sub-indicator was rated poor by 20% of the respondents, while 60% rated it good. The remaining 20% rated it as extremely good. The variations in ratings on exports can perhaps be attributed to the fact Ohorongo Cement has experienced challenges that resulted in the reduction of exports. However, exports still yield positive outcomes such as aiding with funding the trade deficit and increasing the foreign currency reserves of the country.



#### 4.2.1.5.2.2. Environmental Indicators

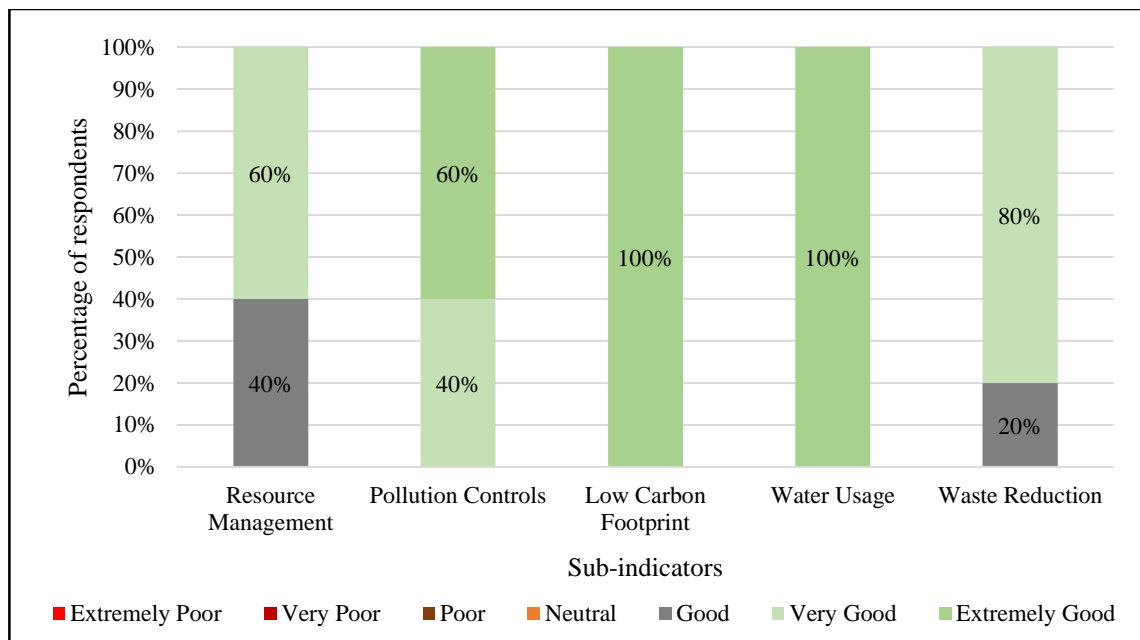


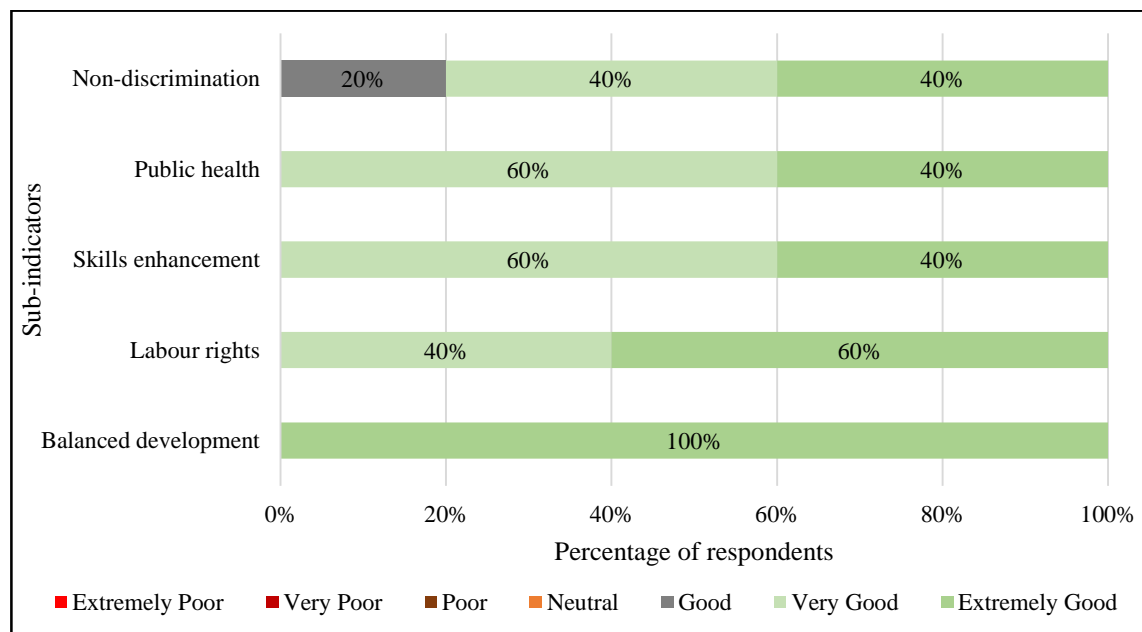
Figure 36: Environmental Indicators – Ohorongo Cement

Figure 36 above shows the environmental indicators as impacted on by Ohorongo Cement. The resource management sub-indicator was rated by 40% of the respondents as good, while 60% rated it very good. In terms of pollution controls, 40% of the respondents rated as very good, while the remaining 60% rated it extremely good. The low carbon footprint and water usage sub-indicators were both rated it extremely good by all the respondents. In terms of the waste reduction sub-indicator, 20% of the respondents rated it good, while the remaining 80% rated it very good. In summary of the above, the use of advanced technologies appears to have largely influenced the environmental indicators. This technology has allowed for Ohorongo Cement to efficiently manage its resources, control pollutions, have a low carbon footprint, use of no water in the production process as well as waste reduction. All the above are congruent with the National Environmental Health



Policy (2002) that aims to protect the natural environment in an effort to reduce hazards and risks for all persons in Namibia.

#### 4.2.1.5.2.3. Social Indicators



*Figure 37: Social Indicators – Ohorongo Cement*

The figure above illustrates the social indicators as impacted on by Ohorongo Cement. The balanced development sub-indicator was rated by all the respondents extremely good. This can largely be attributed to the CSI activities that Ohorongo Cement has initiated. One such programme is the Ohorongo Otavi Community Trust, which according to literature aims to assist vulnerable citizens living within the Municipal area of Otavi to become self-sufficient and educated citizens who, in turn, will be able to contribute towards the growth and development of Namibia. In terms of labour rights, 40% of the respondents rated it as very good, while the remaining 60% rated it as extremely good. This is further supported by the responses gathered from the current employees of



Ohorongo, who have expressed good working conditions. The skills enhancement sub-indicator was rated by 60% of the respondents very good, while 40% rated it as extremely good. In enhancing skills, 60 people were sent to Germany for training at a cost of N\$ 20 million before operations started at the cement plant (Schütte, 2016). In terms of public health, 60% of the respondents rated it very good and 40% extremely good. The provision of protective clothing to employees as earlier depicted (see figure 28) reinforces these results. The non-discrimination sub-indicator was rated by 20% of the respondents as good, another 40% rated it as very good, while the remaining 40% rated it extremely good. This suggests that no discriminatory practices occur at Ohorongo Cement and supports the provisions of the amended Labour Amendment Act (Act No. 2 of 2012).

#### 4.2.1.5.2.4. Governance Indicators

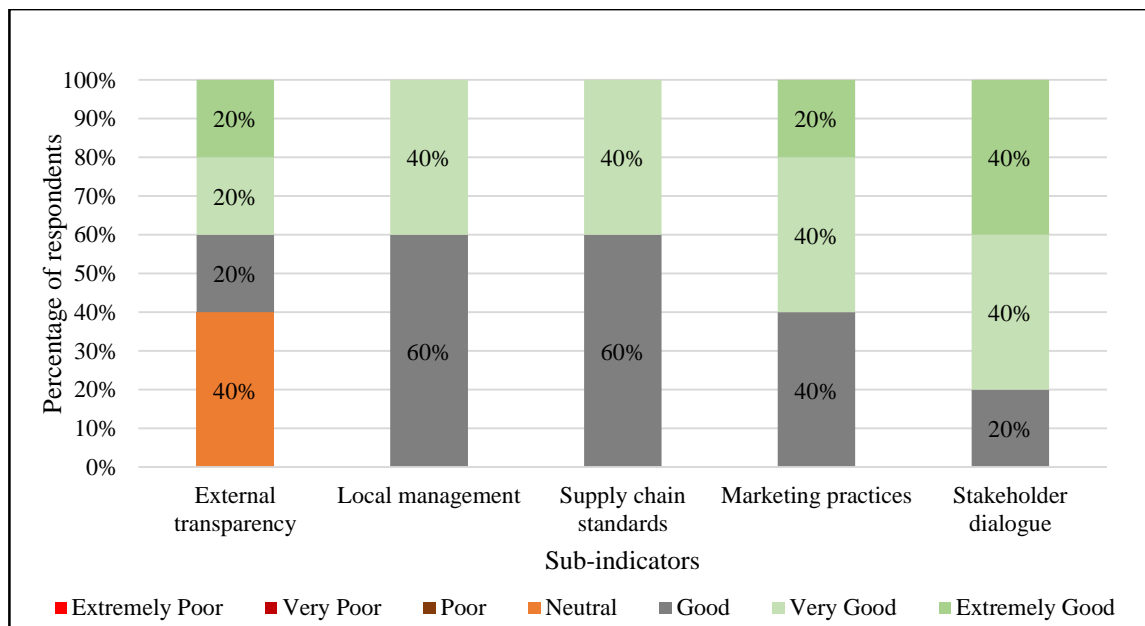


Figure 38: Governance Indicators – Ohorongo Cement



Governance indicators are presented in figure 38 above. The external transparency sub-indicator was rated by 40% of the respondents as neutral, while 20% rated good. An additional 20% of the respondents rated it very good, while the remaining 20% rated it as extremely good. A predominantly positive rating on this sub-indicator can be attributed to the increased level of accessibility information on Ohorongo Cement is. In terms of local management, 60% of the respondents rated it good, while the remaining 40% rated it very good. This suggests that there is a positive representation of Namibians in the management structures of Ohorongo Cement and supports the Growth at Home Strategy that emphasises on empowering the local people. Supply chain standards was rated good by 60% of the respondents, while 40% rated it as very good. Marketing practices was rated by 40% of the respondents as good, while another 40% rated it very good. The remaining 20% of the respondents rated it extremely good. Most of the cement is marketed in Namibia compared to other countries and regions (Schütte, 2016). This suggests the local market receives priority in terms of sales. In terms of the stakeholder dialogue sub-indicator, 20% of the respondents rated it as good, while 40% rated it very good. The remaining 40% rated it extremely good. Dialogue with stakeholders appears to be positive and has thus perhaps maintained the good relations with stakeholders such as employees, who have all indicated they saw themselves working for Ohorongo Cement in 10 years.

#### **4.2.1.5.2.5. Summary of the ratings on Ohorongo Cement**

The ratings results on the indicators of Ohorongo Cement are generally more positive compared to RTN. This illustrates that Ohorongo Cement has produced more benefits on the various indicators for the country at large. In terms of the economic indicators, the



exports, infrastructure, technology transfers, local business linkage, taxes, employment and capital have been rated positive, thereby supporting what literature states that, it has been calculated that through Ohorongo Cement's operation, more than 2 100 jobs have been created and the Namibian GDP has risen by at least 1%. Despite exports not receiving better ratings compared to RTN, Ohorongo Cement appears to have done exceptionally well in terms of the other economic sub-indicators.

The environmental indicators have also received positive ratings overall. As earlier stated, these positive ratings are attributed to the advanced technology that Ohorongo Cement uses in managing its resources, controlling pollution, controlling carbon footprint emissions, reducing water usage and waste. The sound environmental measures put in place support the National Environmental Health Policy's (2002) aims and objectives of preserving the natural environment and resources while promoting health and safety for persons. Furthermore, the social indicators have also been rated positive in terms of the impact of Ohorongo Cement has on them. As advocated for by the amended Labour Amendment Act (Act No. 2 of 2012), the ratings suggest that no discriminatory practices were observed, and labour rights are adhered to by Ohorongo Cement. Balanced development has been primarily done through the Ohorongo Otavi Community Trust which has contributed to the goals and objectives of the HPP, NDP4, Industrial Policy and Vision 2030. Skills have been enhanced through the training of local people. Ohorongo Cement appears not to have impacted negatively on public health. Ratings on the governance indicators suggests that Ohorongo Cement has indeed upheld good governance practices in terms of external transparency, local management, supply chain



standards, marketing practices as well as stakeholder dialogue. In summary, the economic, environmental, social and governance indicators, as rated, suggest that Ohorongo Cement has had a far reaching positive impact on the developmental aspirations of the country.

#### **4.3. Conclusion**

This chapter focused on the presentation of results obtained from the survey, and these results were presented in tables, graphs and themes. A number of important issues emerged from the results. These issues are addressed in the concluding chapter.



## **CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS**

### **5.1. Introduction**

This chapter presents the conclusions and recommendations based on the findings as contained in chapter four.

This study was aimed at establishing whether FDIs in Namibia work against government developmental goals and objectives or whether it has been conducive for these goals. This question was posed against the background of negative perceptions towards FDI by the general public following the relocation of RTN in 2008, as discussed elsewhere. Despite the time and financial constraints the researcher faced, there was a serious limitation in accessing information or prior studies done on sustainable FDI. However, the data gathered was useful to draw decisive conclusions. Based on this, the researcher was able to come up with a number of recommendations as presented in later sections.

Interview schedules and questionnaires were used to collect data. The interview schedule which was used to collect data from individuals from key stakeholder organisations and a representative from Ohorongo Cement reflected variables pertaining to the sustainability FDIs in Namibia, with particular reference to RTN and Ohorongo Cement. The questionnaires, which were aimed at the former RTN employees and the current employees of Ohorongo Cement reflected issues relating to their general working conditions. This was done to establish the levels of sustainable employment practices that are/were observed at the two companies. There were 66 respondents in this study. The



section below provides an account of the conclusions of the study as guided by the research questions listed in chapter one.

## **5.2. Conclusions**

The Namibian government has given great importance to the role FDI can play in the development of the country. This is reflected in various laws, policies and strategies such as the NIP Act (Act 9 of 2016), Vision 2030, NDP4, Industrial Policy and the Growth at Home Strategy. As reflected in literature, these have to some extent highlighted and incorporated the role of FDI in their execution and achievement. However, despite having what appears to be good legal foundation for FDIs, the country has faced a number of challenges in their consolidation and drive towards the sustainable development of the country. This dilemma brought into relief the issue of FDI sustainability as crucial to the developmental aspirations of the country.

Indeed, the study has proven that not all FDIs are detrimental to government developmental goals and objectives. In drawing conclusions from the literature reviewed and the responses from the participants, the sections that follow here below will explicitly answer the research questions as stated in chapter one while simultaneously addressing the prospects and challenges for sustainable FDI in Namibia, with reference to RTN and Ohorongo Cement.



### **5.2.1. FDIs and the developmental interests of Namibia**

Notwithstanding the fact that government has made significant strides in luring FDI into the country, it became clear that foreign investors have indeed, to a lesser extent, carried the developmental interests of Namibia at heart. Consensus was on the fact that FDIs do not have to contribute to the developmental objectives of the country but are sometimes forced through legislation to contribute to developmental goals. This indeed does pose a challenge towards the promotion of sustainable FDI in Namibia. Contribution to the achievement of developmental goals appears to be a matter of complying with various legislation, as well as spill-overs from investments that coincide with developmental goals and aspirations of the country. Although there were few cases, such as Ohorongo Cement, that has in addition to the obligatory tax contributions, gone the extra mile through their CSI activities. Consensus on this was on the fact that FDIs are profit driven and it's not their primary goal to promote the interests of the country. This is attributed to the mixed economic system of Namibia that at times privileges private capital at the expense of the Namibian nation.

### **5.2.2. To what extent have Ramatex Textiles Namibia and Ohorongo Cement contribute to the developmental objectives of the Namibian government?**

RTN and Ohorongo Cement have contributed to the developmental objectives of Namibia, though to different extents. It became clear that RTN did not significantly contribute to the developmental aspirations of the country. It primarily contributed through the provision of employment opportunities (7000 at peak) to Namibians. This is anchored in



national plans such as NDP2 & NDP3, Vision 2030, and the Foreign Investment Act (Act No. 24 of 1993) that was existent at the time. Exports to the US market through the AGOA were duty free and therefore did not contribute to the revenue pool of government. Results obtained on the employment conditions of the former RTN employees proved that it was in direct violation of a number of laws such as the amended Labour Amendment Act (Act No. 2 of 2012), Social Security Act (Act No. 34 of 1994) and the National Environmental Health Policy (2002). Employees were not provided with protective clothing (see figures 9 and 10 elsewhere) which resulted in them contracting various ailments in the workplace as shown in figures 11 and 11.1 elsewhere. Employees were not registered with the Social Security Commission, which in Namibia is mandatory for an employer to register employees who have worked for more than 3 months. The promotion of sound labour relations was not observed as results indicate that employment of the former employees were terminated without notice, hearing or trial as advocated by the country's labour laws. The methods used to terminate the employment of the former RTN employees was unfair dismissal and lockout. This is illustrated in figure 12. In terms of skills transfer, those obtained at RTN proved to be of limited value. The implication of this was that, these skills did not enable the former employees to find alternative employment where the acquired skills could be utilised and clearly serves against the principles of sustainable employment (see figures 14 and 15).

The above is further reinforced by ratings on the social indicators (non-discrimination, skills enhancement and labour rights sub-indicators) that were all rated negative. Upon the relocation of RTN in 2008, everything literally stopped as there was no local business



linkages. The damaged environment as a result of the operations at the factory posed a health hazard to surrounding communities. The life-span of the textile company was very short. Consequently, it provided temporary employment, it did not create any long-term wealth, and it did not leave the country with a better textile capacity. The salaries/wages to the RTN employees was no more than N\$ 1000 as shown in figure 6. This was not sustainable and resulted in the increase of income equality. The unemployment rate increased to an all-time high of 51% upon the relocation of RTN in 2008. From the above, one can conclude that RTN contributed to the achievement of government developmental goals to a very less extent. Contribution was primarily through the provision of employment to 7000 people, at peak.

Contrastingly, results indicate that Ohorongo Cement has far more contributed to the achievement of government developmental goals and aspirations through various laws and policies. These include the Industrial Policy (2013), Growth at Home Strategy, Vision 2030, NDP4 and the NIP Act (Act No. 9 of 2016). One such case of local sustainable development is the Ohorongo Otavi Community Trust, which assists vulnerable citizens living within the Municipal area of Otavi to become self-sufficient and educated citizens.

Other programmes include the Albino Corner; renovation of the Otavi Health Clinic and the donation of hospital equipment and medical attire. These have, clearly contributed to developmental goals on health as prioritised by the Vision 2030. Additionally, the nature of the cement product plays an important role in the construction industry and has contributed significantly to development and industrialisation as emphasised by the



Industrial Policy and the Growth at Home Strategy. Ohorongo Cement has created sustainable jobs with sustainable incomes and fringe benefits as evidenced by figure 22, 23 and 24. Ohorongo Cement contributes to the wealth of the country through corporate company tax, they contribute towards environmental efforts such as bush encroachment, clearing of bushes, cooperative agreements with the Ministry of Health and Social Services, donation of specialised medical equipment and the installation of solar geysers at school hostels in Otavi. The skills transfer to employees and linkage to local businesses remains extremely significant.

Imports of cement are now kept very minimal and serve to be advantageous in increasing foreign currency reserves and financing the current trade deficit. Other programmes and activities include the donation of wheelchairs, commodity chairs, walking frames, donation of ambulance to the Otavi Town Council, painting & installing electricity at Otavi and Outjo sports facilities, donation of equipment to Etunda clinic and supporting the Shack Dwellers Federation Housing Initiative. It has been calculated that through Ohorongo Cement's operations, more than 2 100 jobs have been created and the Namibian GDP has risen by at least 1%.

From the above, one can conclude that Ohorongo Cement has through its various programmes and activities contributed to the socio-economic development of the country at large. The above shows that the company has contributed to creating jobs, providing training and transfer of knowledge, providing finance, strengthening the Namibian economy and improving the balance of trade, and clearly supporting national development



plans, strategies and policies such as the Vision 2030, NDP4, Industrial Policy, Growth at Home Strategy and the HPP. The case of Ohorongo Cement can thus serve as a reference model for other current and future FDIs. This is likely to yield positive prospects for sustainable FDI in Namibia in the long run.

**5.2.3. Does the Namibia Investment Promotion Act (Act 9 of 2016), the amended Export Processing Zones Act (Act 9 of 1995) and the Infant Industry Protection Act (2002) provide the regulatory framework to adequately address the sustainability of FDI in Namibia?**

Consensus has been that legislation pertaining to FDI in Namibia is adequate. However, key legislations such as the NIP Act (Act 9 of 2016), EPZ Act (Act No. 9 of 1995) have come under scrutiny. Section 8 (1) of the NIP Act (Act 9 of 2016) makes provision for the reservation of various economic sectors for government and domestic investors. This has the potential to deter FDI into certain sectors other than natural resources, where investors would likely have alternative country options to consider. This clause clearly will result in FDIs not choosing to invest in Namibia or divest from the country. Natural resources in Namibia give the country a competitive advantage in terms of favorability, hence, if taken away by this clause, will result in less FDI coming into the country. Furthermore, section 1 (b) of the NIP Act (Act No. 9 of 2016), states that there is no guarantee that foreign investors would be able to repatriate their capital or profit out of the country. This would negatively affect investor confidence and might serve to discourage potential investors from investing in Namibia.



With reference to the EPZ Act (Act No. of 9 of 1995), it has proven not to be successful in attaining its goals and objectives. The EPZ Act (Act No. of 9 of 1995) did not fulfil its aims and objectives with regards to creating 25,000 jobs, but only managed to create 10,000 jobs, increasing the amount of manufactured goods produced, expanding industrial development and assisting in the transfer of skills and technology in the zones. With only these two laws having come under scrutiny, general consensus was that the implementation and enforcement of laws needed to be improved.

Contrary to the above, the exploration on Ohorongo Cement suggests that the IIP Act (2002) has in fact proven to yield the desired results. Furthermore, it came to light that by utilising the IIP Act, the Ohorongo Cement investment was secured together with its derived benefits for the economy as a whole. These include, inter alia, direct and indirect employment, the transfer of knowledge and a fiscal injection through new direct and indirect taxes. Additionally, the CSI activities of Ohorongo Cement have been highly beneficial for the country at large.

#### **5.2.4. Strategies to promote the sustainability of FDI in Namibia?**

In an effort to remedy some of the challenges of ensuring sustainable FDI, the following conclusions have been reached:

- Though briefly highlighted in section 28 (1) of the NIP Act (Act No. 9 of 2016), there is a need to further reinforce operational conditions on foreign-owned



companies in terms of the damage they may cause on social, economic and environmental issues.

- Government should aid foreign investors to overcome various operational challenges, thus increasing their probability of becoming sustainable.
- There should be improved monitoring and supervision that ensures foreign investors and importers adhere to quality standards in the products they produce.
- There is a need to fully implement the various laws pertaining to FDI to ensure issues such as competition through the Competition Act (Act No. 2 of 2003) and the IIP Act (2002) are adhered to.

### **5.3. Recommendations**

Based on the findings, this paper has found the following recommendations to be relevant.

#### **5.3.1. Recommendation 1**

Namibia's current amended EPZ Act (Act No. 9 of 1995) should be reviewed to ensure that it encourages investments that promote the sustainable socio-economic development of the country, as opposed to its current form that drains national resources. Additionally, in reviewing the Act, there should be an improved synchronization of the Acts objectives in relation to other developmental policies of the country.



### **5.3.2. Recommendation 2**

Trade unions should negotiate for better salaries and working conditions through collective bargaining and government should render the needed support. This will serve to be significant in ensuring that workers' rights are protected.

### **5.3.3. Recommendation 3**

Section 1 (b) of the NIP Act (Act 9 of 2016) should be reviewed for it to guarantee repatriation of profits or capital from Namibia. In its current form, it states that in times of an economic crisis, foreign investors need to obtain permission from the Minister to repatriate money from the country. This clearly does not build investor confidence and might result in Namibia being less of a favorable investment destination.

### **5.3.4. Recommendation 4**

An education campaign to promote CSR among foreign investors with a particular focus on its benefits for business success and the local community should be undertaken by the NIC.

### **5.3.5. Recommendation 5**

Assessment of progress in policy implementation and verification of the application of rules and regulations should periodically be done by the NIC at pre-determined time-frames. This will enable them to keep track of compliance and non-compliance of foreign investors to laws and ensure enforcement.



#### **5.4. Directions for Future Research**

MNCs like RTN are highly mobile and exploit the opportunities created by neo-liberal globalisation. There is thus a need to tackle such companies fundamentally by questioning the neo-liberal global order by creating mechanisms for democratic control that will ensure an end to exploitative practices and the free reign of capital.



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## APPENDIX 1: Ethical Clearance Certificate



### ETHICAL CLEARANCE CERTIFICATE

Ethical Clearance Reference Number: FEMS/114/2016

Date: 19 August, 2016

This Ethical Clearance Certificate is issued by the University of Namibia Research Ethics Committee (UREC) in accordance with the University of Namibia's Research Ethics Policy and Guidelines. Ethical approval is given in respect of undertakings contained in the Research Project outlined below. This Certificate is issued on the recommendations of the ethical evaluation done by the Faculty/Centre/Campus Research & Publications Committee sitting with the Postgraduate Studies Committee.

**Title of Project:** PROSPECTS AND CHALLENGES FOR SUSTAINABLE FOREIGN DIRECT INVESTMENT IN NAMIBIA: A COMPARATIVE EXPLORATION OF OHORONGO CEMENT AND RAMATEX TEXTILE

**Nature/Level of Project:** Masters

**Researcher:** Ralph V. Marenga

**Student Number :** 201156008

**Faculty:** Faculty of Economics and Management Science

**Supervisor :** Prof. L. Blaauw

Take note of the following:

- (a) Any significant changes in the conditions or undertakings outlined in the approved Proposal must be communicated to the UREC. An application to make amendments may be necessary.
- (b) Any breaches of ethical undertakings or practices that have an impact on ethical conduct of the research must be reported to the UREC.
- (c) The Principal Researcher must report issues of ethical compliance to the UREC (through the Chairperson of the Faculty/Centre/Campus Research & Publications Committee) at the end of the Project or as may be requested by UREC.
- (d) The UREC retains the right to:
  - (i). withdraw or amend this Ethical Clearance if any unethical practices (as outlined in the Research Ethics Policy) have been detected or suspected,
  - (ii). request for an ethical compliance report at any point during the course of the research.

UREC wishes you the best in your research.

Dr. H. Kapenda  
Director –Centre for Research and Publications  
ON BEHALF OF UREC



## APPENDIX 2: Questionnaire - Former employees of RTN

1



Faculty of Economic and Management Science  
Department of Political and Administrative Studies

### QUESTIONNAIRE

#### FORMER EMPLOYEES OF RAMATEX TEXTILE

Tuesday, August 30<sup>th</sup>, 2016

**Course:** Master of Public Administration

**Thesis Topic:** Prospects and Challenges for Sustainable Foreign Direct Investment in Namibia:  
A Comparative Exploration of Ohorongo Cement and Ramatex Textiles Namibia.

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My name is Ralph Marenga and I am a final year student studying towards a Master of Public Administration degree at the University of Namibia. As part of the requirements for the programme, I am required to complete a thesis in partial fulfillment of the requirements of the abovementioned degree. In pursuit of this, I am thus conducting a survey.

This questionnaire is being carried out for the purposes of gathering data for my thesis. The questionnaire aims to gauge your views and opinions on the challenges you have experienced during and after your time of employment at Ramatex Textile in Windhoek.

NB: Please note that this exercise is strictly for academic purposes and your responses will at all times remain highly confidential. Mark in the appropriate box by indicating with an "X".

---

1. In which age bracket are you?

20-30	
30-40	
40-50	
Older than 50	

2. Gender

Male	
Female	



2

3. When did you start working at Ramatex Textiles Namibia?

\_\_\_\_\_

4. When did your employment at Ramatex Textiles Namibia come to an end?

\_\_\_\_\_

5. Position \_\_\_\_\_

6. In which income bracket were you?

N\$0 – 1000 pm	
N\$1000 – 2000 pm	
N\$2000 – 3000 pm	
N\$3000 – 4000 pm	
N\$4000 and above pm	

7. Did you receive employment/fringe benefits?

Yes	
No	

8. If yes, indicate all that apply.

Medical aid	
Pension fund	
Transportation	
Meals	
Educational assistance	
Paid holidays	
Paid sick days	
Maternity leave	

If other, please state.

\_\_\_\_\_  
 \_\_\_\_\_

9. Were you exposed to any hazards in the workplace?

Yes	
No	



3

10. Were you provided with protective clothing in the workplace?

Yes	
No	

11. If yes, indicate all that apply.

Safety boots	
Goggles	
Hand gloves	
Apron	
Dust masks	

If other, please state.

---



---

12. Are you suffering from any ailments that were a result of your work at Ramatex Textiles  
Namibia?

Yes	
No	

13. If yes, indicate all that apply.

Chest problems	
Sinus	
Skin irritation	

If other, please specify.

---



---

14. How were you informed about the termination of your job?

A few days' notice	
By unfair dismissal	
By lockout	

If other, please specify.

---



---



4

15. During your time of employment at Ramatex Textiles Namibia, did you receive any information on sustainable practices around the workplace?

Yes	
No	

16. If yes, how? Please select all that apply.

Company website	
Sustainability report	
Statements made on packaging or in advertising	
Social media	
Certification seals or labels on product packaging/as part of service	
Verbally	

If other, please specify.

---



---

17. After how long were you able to find alternative employment subsequent to the one at Ramatex Textiles Namibia?

Within one year	
After one year	
After two or more years	
Not ever	

18. If not ever, what do you think could be the reason for not finding alternative employment?

No adequate industry that requires the skills you acquired at Ramatex	
Lack of adequate qualifications	

If other, please specify.

---



---



5

19. To what extent was your livelihood affected by the loss of your job at Ramatex Textiles Namibia?

Not affected	
Bad	
Very Bad	
Severely affected	

20. What aspect of your life would you say was affected the most since you lost your job at Ramatex Textiles Namibia?

Health	
Nutrition/Diet	
Income	

If other, please specify.

---



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21. Would you mind working for a Multinational Textile Company again?

Yes	
No	

22. If no, what would you like to see improved in terms of the general work conditions?

Salaries/Wages	
Health and Safety	
Working hours	
Employer employee relations	

If other, please specify.

---



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If yes, state your reasons.

---



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THANK YOU!



### APPENDIX 3: Questionnaire - Current employees of Ohorongo Cement

1



Faculty of Economic and Management Science  
Department of Political and Administrative Studies

#### QUESTIONNAIRE

#### CURRENT EMPLOYEES OF OHORONGO CEMENT

Tuesday, August 30th, 2016

**Course:** Master of Public Administration

**Thesis Topic:** Prospects and Challenges for Sustainable Foreign Direct Investment in Namibia:  
A Comparative Exploration of Ohorongo Cement and Ramatex Textile.

My name is Ralph Marenga and I am a final year student studying towards a Master of Public Administration degree at the University of Namibia. As part of the requirements for this programme, I am required to complete a thesis in partial fulfillment of the requirements of the abovementioned degree. In pursuit of this, I am thus conducting a survey.

This questionnaire is being carried out for the purposes of gathering data for my thesis. The questionnaire aims to gauge your views and opinions on your general work environment and the prevalent sustainable practices observed at your workplace.

NB: Please note that this exercise is strictly for academic purposes and your responses will at all times remain highly confidential. Mark in the appropriate box by indicating with an "X".

#### 1. Gender

Male	
Female	

#### 2. In which job category are you?

Executive Management	
Management	
Supervisor	
Technical	
Operational	
Administration	



2

3. How long have you been employed at Ohorongo Cement?

0-3 Years	
3-6 Years	
6-9 Years	
Since inception (10 Years)	

4. In which income bracket are you?

N\$0 – 1000	
N\$1000 – 2000	
N\$2000 – 3000	
N\$3000 - 4000	
N\$4000 and above	

5. Do you receive employment/fringe benefits?

Yes	
No	

6. If yes, indicate all that apply.

Medical aid	
Pension fund	
Transport	
Meals	
Educational assistance/funding	
Paid leave	

If other, please state.

---



---

7. Do you foresee yourself working for Ohorongo Cement in 10 years from now?

Yes	
No	



3

8. If yes, select reason below.

Good working environment	
Fair disciplinary procedures	
Adequate grievance procedures	
Good prospects for promotion	
Good working hours	
Good employer employee relations	

If other, please specify.

---



---

9. If no, select reason below.

Bad working environment	
Unfair disciplinary procedures	
Inadequate grievance procedures	
No prospects for promotion	
Hours of work too long	
Employer employee relations not good	

If other, please specify.

---



---

10. Do you feel safe at your workplace?

Yes	
No	

11. If protective gear has been provided to you, indicate all that apply.

Hand gloves	
Hard hats	
Safety boots	
Masks	
Safety Goggles	
Reflector jackets	
Overalls	

If other, please state.



4

12. Do you receive any communication from management on organisational sustainability goals and policies? If yes, how? Please select all that apply.

Company website	
Sustainability report	
Statements made on packaging	
Social media	
Certification seals or labels on packaging	
New employee orientation	
Employee training	
Company intranet	
Emails from senior management	
Posters in the workplace	
Performance evaluations	

13. Which of the following, if any, is Ohorongo Cement currently engaged in? Please select all that apply.

Reducing waste from operations	
Reducing energy use in operations	
Utilizing a formal energy management system	
Reducing water use in operations	
Improving employee retention and/or motivation through employee engagement	
Reducing air emissions from operations	
Sustainability reporting	
Utilizing renewable energy sources	
Research and development of sustainable products	
Tracking and reducing carbon emissions	

If other, please specify.

THANK YOU!



## APPENDIX 4: Interview Schedule - Stakeholder Organisations

1



**Faculty of Economic and Management Science**  
**Department of Political and Administrative Studies**  
**Interview Schedule – Stakeholder Organisations**

**Institution:** \_\_\_\_\_

Tuesday, August 30th, 2016

**Researcher:** Mr. Ralph Marenga

**Course:** Master of Public Administration

**Thesis Topic:** Prospects and Challenges for Sustainable Foreign Direct Investment in Namibia:  
 A Comparative Exploration of Ramatex Textiles Namibia and Ohorongo Cement

### SECTION A

#### Structured Questions

- a) What is your general view on FDI in Namibia?
- b) In your view, do you think foreign owned companies carry the developmental interests of Namibia at their hearts? If yes, how?
- c) What is your general overview on sustainable FDI in Namibia?
- d) Can it be argued that the investments of Ohorongo Cement and Ramatex Textiles Namibia have contributed to sustainable development of Namibia? If yes, how? Provide examples.
- e) Has the relocation of the Ramatex Textiles Namibia have an impact on Namibia's sustainable development? Motivate answer.
- f) In your view, what challenges do foreign owned companies face in ensuring their business operations are sustainable?
- g) Who is responsible for ensuring that the operations of foreign owned companies are sustainable vis-à-vis a country's developmental aspirations and why?
- h) Are current adopted strategies/laws and policies adequate in ensuring foreign owned companies are sustainable vis-à-vis the governments' development agenda? Elaborate.
- i) What additional strategies can be employed to promote the sustainability of FDI in Namibia?
- j) What do you envisage the future of FDI to be in Namibia with particular reference to sustainability?



2

**SECTION B****Sustainable FDI Rating**

. Institution: \_\_\_\_\_

FDI VALUE INDICATOR	SCALE						
	Extremely Poor	Very Poor	Poor	Neutral	Good	Very Good	Extremely Good
<b>ECONOMIC</b>							
Capital							
Employment							
Taxes							
Local business linkage							
Technology transfers							
Infrastructure							
Exports							
Other							
<b>ENVIRONMENTAL</b>							
Resource management							
Pollution controls							
Low carbon footprint							
Water usage							
Waste reduction							
Other							
<b>SOCIAL</b>							
Balanced development							
Labour rights							
Skills enhancement							
Public health							
Non-discrimination							
Other							
<b>GOVERNANCE</b>							
External transparency							
Local management							
Supply chain standards							
Marketing practices							
Stakeholder dialogue							
Other							

THANK YOU!



## APPENDIX 5: Interview Schedule - Ohorongo Cement

1



**Faculty of Economic and Management Science**  
**Department of Political and Administrative Studies**

**Interview Schedule:** Ohorongo Cement

Tuesday, August 30th, 2016

**Researcher:** Mr. Ralph Marenga

**Course:** Master of Public Administration

**Thesis Topic:** Prospects and Challenges for Sustainable Foreign Direct Investment in Namibia:  
 A Comparative Exploration of Ohorongo Cement and Ramatex Textile

### **Structured Questions**

- a) What is your general view on FDI in Namibia?
- b) What attracted Ohorongo Cement to Namibia?
- c) To what extent does Ohorongo Cement contribute to the developmental objectives of the Namibian government? Provide examples of such programmes or activities.
- d) Has Ohorongo Cement experienced any challenges in ensuring its operations are sustainable vis-à-vis the governments' development agenda? If yes, what were these challenges and how are they being addressed?
- e) What do you propose government or other stakeholders do to make it easier or aid Ohorongo Cement and other foreign owned companies at their efforts towards sustainability?
- f) What do you envisage the future of FDI to be in Namibia in terms of sustainability in general and with particular reference to Ohorongo Cement?



**APPENDIX 6: List of Interviewees**

<b>No.</b>	<b>Name</b>	<b>Position</b>	<b>Institution/ Organisation</b>	<b>Date of Interview</b>
<b>1.</b>	Mr. Herbert Jauch	Labour Researcher and Educator	-	September 5, 2016
<b>2.</b>	Mr. Emmet Kiberd	Economist	Ministry of Finance – Directorate of EPAS	September 15, 2016
<b>3.</b>	Mr. Rowland Brown	Economist and Head of Research	IJG Securities	September 12, 2016
<b>4.</b>	Mr. Johannes Hatutale	Economist	Ministry Industrialisation, Trade and SME Development - Namibia Investment Centre [Directorate of Projects and Incentives]	September 12, 2016
<b>5.</b>	Mr. Hans-Wilhelm Schütte	Managing Director	Ohorongo Cement	September 12, 2016
<b>6.</b>	Dr. Michael Akuupa	Director	Labour Resource and Research Institute	September 14, 2016



## APPENDIX 7: FDI Inflow in % of GDP

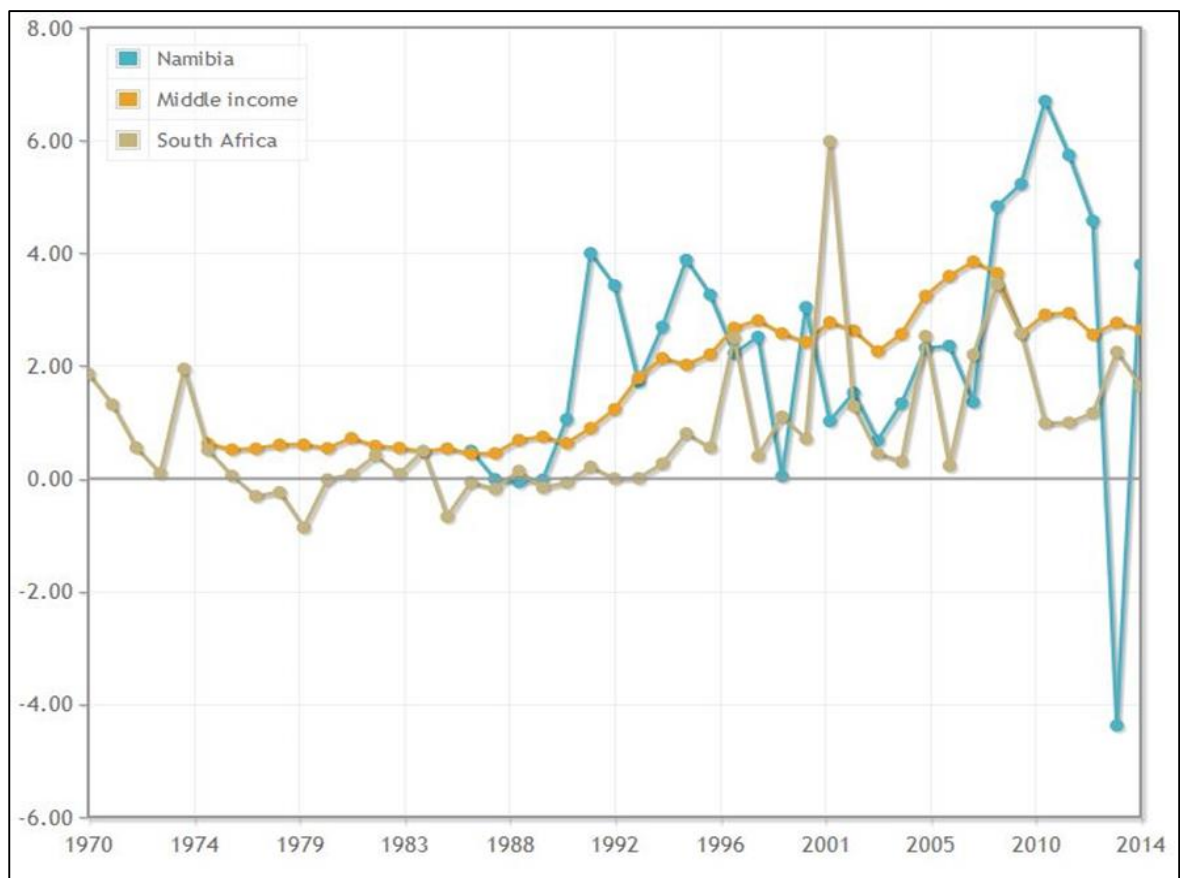
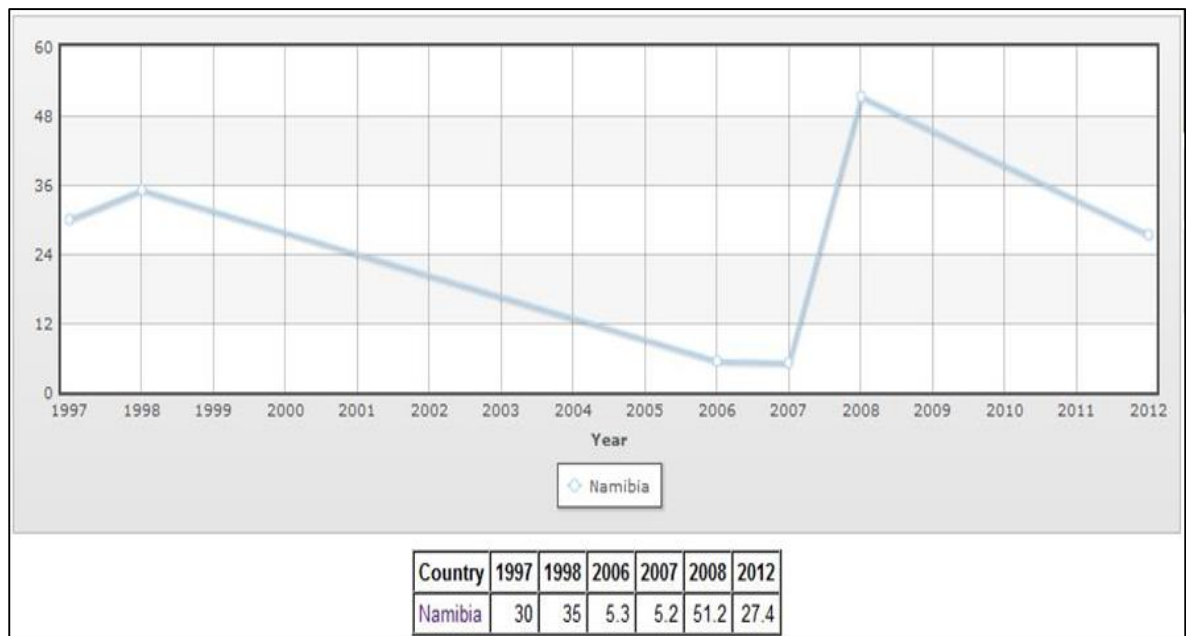


Figure 39: FDI Inflow in % of GDP

Source: World Bank (2016)



## APPENDIX 8: Unemployment Rate



*Figure 40: Unemployment Rate*

Source: (Index Mundi, 2015)