Box

INDUSTRIAL POLICY AND STRATEGY

NOTES

1. There is a great deal of material and many ideas here ranging from very good to very poor.

2. Unfortunately the good is largely paraphrases from other studies and from Namibia government papers and over half is not in fact on manufacturing.

3. What is both on industry and new consists largely of generalisations, platitudes, a melange of projects and proposals (unevaluated) seeming to result from collecting all ideas/proposals in files or on desks and some rather eccentric specific policy points - plus a prospectus for long term, extensive work for UNIDO.

4. There is no strategic thrust. There are no priorities. There is no set of guide-lines for articulating policy, setting up institutions or selecting, putting programmes and projects into operation.

5. Because of the volume of other reports and Government position papers deployed as background and window dressing, the initial impression is much better than the reality revealed by a second, harder read. I fear that the Consultant and UNIDO have done a disservice to Namibia - the Namibian group members would probably have done a shorter, tighter more strategy and policy focused study on their own.

6. The 5% Manufacturing in GDP is a trifle dubious:

   a. it excludes 'informal';

   b. and it excludes not only smelting and refining (which - pace UNIDO - is manufacturing with some linkages and spin-off potential) but also engineering/metal bashing in mining companies;

   c. as well as heavy repair/fabrication in enterprises classed in some other sector (e.g. railways).

On a basis comparable to the more general African definitions the share is probably 10%.

7. There seems to be a certain degree of factual fuzziness:

    a. is or is not the cement plant operational (it has been so described in newspapers)?

    b. tin and tin cans <u>cannot</u> be linked in Namibia (as suggested on Page X) because a hot steel rolling and tin-plating mill is not at all plausible without a several million tonne steel industry and a several scores of thousands of tonnes tin plate market!

8. Light engineering - metal fabrication - spares - heavy repairs - component production ("metal bashing") are foundation of capital goods industry. They are alluded to but no strategic focus, no programme of studies, no priorities are set out. Why?

9. Page XIV is an example of citing government policy in paraphrase instead of offering guide-lines on articulating and implementing it.

10. Terminology is often so non-standard as to confuse. It is true that import substitution/export orientation go together - to have a market base at home and a volume (including exports) to allow economies of scale. (That link is either <u>not</u> made or very fuzzy.) What "inward looking" is separate from import substitution is not clear - decentralised, micro establishments fitting into geographic or product niches seems to be the meaning given.

11. <u>Technology centres</u> in SSA have a very, very poor record. Nothing in proposals on Page XIV is likely to help. Suggest securing advise <u>direct</u> from Botswana and Zimbabwe which have dynamic industrial sectors on what technology needs are and how met (for large, small, micro) and Tanzania on 'intermediate'/'appropriate' technology development and extension (some success).

12. The <u>sub-contracting</u> (why 'sub'?) <u>information centre</u> is a good idea. Problem is speedy transmission to small and micro enterprises. How? Also no mention that allowing bids for <u>part</u> of a contract (e.g. 10% of chairs and tables for schools or those for one district or town) is better than sub-contracting when feasible (which it often is).

13. Para 2 on XVII is and example of UNIDO sales job. On evidence of this study "major part of detailed programming"

    a) should be done by Namibia

    b) assisted by persons known to/selected by itself

    c) within terms of reference Namibia drafts

    d) financed by UNIDO if it agrees (and/or by a bilateral or CFTC or IDRC of Canada).

14. The assumption (XIX etc.) SACUA is long for this world or that Namibia would stay in after 31-XII-92 in any event needs examination. The amount of study proposed with results in - say - late 1992 looks to be a pretty misplaced priority.

15. What is the "Assistance for Technology Transfer" facility? If paid for by enterprises how is it foreign investment? And why does it need a foreign exchange licence to pay - seems to be a current commercial import. A bureaucracy gone mad nightmare as presented (XIX-XX) and subsequently.

16. On small business no number of funds are a substitute for serious study of what exists, what its entrepreneurs believe are constraints on them and what response is appropriate. ODA of UK has financed studies on this as has World Bank. There is a body of Ghanaian data. (Hubert Schmitz of IDS could give details on available Ghana materials, experienced researchers/advisers, might be a useful consultant to design a programme of applied research.) The funds without data base are a way to waste money not develop industry.

17. IDC is a good idea. The shopping list of functions is OK - suspect it is from prior GON paper. But no strategic thrusts, priorities, routes to articulation provided. CDC (with Dutch and German brethren) could give much better advice than UNIDO. So could the Botswana and Zimbabwe existing IDCs.

18. Pages XVI-XVII are examples of structures and boards run wild. Very unlikely either government or private sectors can provide people and time. Likely result committees which generalise, pontificate because

no time or data to do better. Need priorities so can sharpen up and programme the consultative council/data exchange idea which is a good one. 1 - 17 are fine in their way but for larger projects IDC or enterprise should do, and for smaller or even for product groups produced by smaller, I doubt GON or C of C have capacity. (Check with C of C and Confederation of Industries in Zimbabwe what they do. Find out what Botswana or its IDC do.)

19. At this stage an Export Processing Zone is a thoroughly bad idea. They are rarely viable except as a secondary part of broader manufacturing sector which is dynamic (Korea) or in context of cheap capital, relatively low wage/hi-skill labour in economy with no domestic inputs (e.g. Mauritius, Singapore, Hong Kong). Namibia needs a viable strategy and dynamic home/export production first then take up EPZ as a sideline. (Botswana has built up manufactured exports without EPZ. Find out how from Government, IDC, entrepreneurs.)

20. Re Page 17, no point in filling textile gap unless in conjunction with cotton growing. 10,000,000 m^2 minimum plausible plant as it will have to export. That is (I think) 10,000 bales or 2,000 tonnes of ginned cotton (6,000-7,000 tonnes seed cotton).

21. Why (p. 21-iv) is coffee from Central America when Zimbabwe and Tanzania have good quality soft arabica for sale and do export competitively?

22. Page 29 - Para 20. Hopelessly vague. What skills, levels, experience? Unclear whether production managers, production engineers or machine operators/maintenance men are being thought about. Very different training implications.

23. Page 32 talks of helping micro industry as if any serious, general body of knowledge on what works. Need data first and pilot projects after. Africa is littered with failed (or useful medium scale supporting but intended for micro enterprises) programmes. Check with Botswana which may have limited but real success record.

24. The Project Opportunities ar a grab bag. Must be whatever there were papers about. At best a list for a serious consultant to look through - discard 50% - pick priorities for studies (10%?) - refer rest to

banks and/or IDC (33%) or tell operating to get on with it offering GON blessing but no more (7%). Most are not manufacturing, e.g. crocodile and ostrich farms, mining. They may be good (or may not) but should be Agriculture or Mines Ministry concerns not Industry! Some (e.g. cochineal, sugar) are very implausible. One (cement) seems to be operating already (or is press wrong?).

25. In many cases, e.g. dates, there is no reason to act until evaluating results initial operations and even then normal bank or (in this case rural) development bank loan is only evident need. The same on a larger scale holds for barley/malting. If it is viable the brewery companies should finance the maltery and farmers (with bank credit if needed) any cost of crop shift to barley. After all appears to be below import parity cost of barley.

26. Care need to be taken before leaping:

    a. karakul wool processing - weaving - final product making is one thing: preparation of karakul hides (preferably with a technical partner from European user end is another. Both should be viable. Garment (karakul) manufacturing is another. It depends on style, quality, marketing. Could encourage a local fur garment maker (1 or 2 small ones I believe?) to find a European partner (from fur business with style expertise) and expand. A "greenfield" approach would be dangerous.

    b. diamond cutting is risky/low margin. (Which is why Anglo-de Beers stay out of it.) Review Botswana and Tanzania experience by going there or getting CFTC to bring someone from there. Production is quite feasible - marketing is a horror because it needs a partner and his stated prices received are virtually uncheckable.

27. A wet blue tannery does not (pace page 54) produce finished leather for products or shoes. I strongly agree Namibia should tan all hides and build up leather products:

    a. get Indian advice (they moved from 80% raw hides/skins to 100% leather and products in 1980s);

    b. have an experienced foreign investor (on own or in jv) in tannery;

c. encourage local firms to get external partners for style-marketing reasons;

d. try to get a foreign shoe company (or US importer/wholesaler which recently quit producing at home, has other style-quality-investment links, e.g. with Brazil) to establish plant to produce uppers or complete leather shoes for export. This has to come after functioning tannery unless (which I doubt) shoe company wants to be involved in tannery.

This is a strategic priority and karakul processing/garments may be (I'm unsure viability garments given style factor). Value added from two basic exports and way of strengthening/reducing price volatility of underlying livestock sector.

28. Sheep abattoir is also in strategic cluster if non-RSA market can be developed. For example - perhaps - get a Gulf contract complete with a kadi to supervise slaughter/certify (the New Zealanders did!).

29. "Invader bush" is very shaky as put. There is not 7 tonnes bush annually per hectare (one off?). Has anyone made bush clearing/producting viable? Check with Botswana-Zimbabwe. Maybe worth a small pre-feasibility study but looks very doubtful.

30. Plastics (including polypropolene) and furniture - get data on Botswana/Zimbabwe analogues. Zimbabwe furniture very competitive.

31. Bricks - lots of Tanzanian experience, some positive at both artisanal and small enterprise levels.

32. Apart from being mining, is Soda Ash viable so soon after Sua Pan start-up given that SP is nearer main regional markets and has ownership links with several of largest users?

33. Ferrochrome/Ferrosilicon/Ferromanganese may make sense and may be large enough to be strategic. Worth coordinating with Mines.

34. Salt based chemicals is worth a study - pre-feasibility to consider options as to scale, product range, markets.

35. Glass. Seek an investor/partner. One possibility is Mahdrani Group. Their relevant company is Kioo Ltd in Tanzania but they have resources

in UK and India so could invest. You do want - if this works out - Kioo connection as it is a first rate bottle-tumber-lamp chimney producer. (Person is J. K. Chande in Dar es Salaam).

36. On lead batteries if successful Zimbabwe plant as stated arrange to see/study.

37. Pharmaceuticals deserve a study but unless export oriented there is not the scale for chemical input production. Packaging-pressing/pelleting-compounding can be viable (Kenya and Zimbabwe are examples).

38. Kudu (p. 68) is strategic but not rush. With hydro potential doubt new thermal plant is a good use. Your concern is whether ammonia or ammonia/urea (ethanol poorer) manufacturing option preferable to bulk sale to RSA to pipe to Capetown. As last can't really be negotiated until legitimacy not immediate, but need to liaise with Mines to see ammonia and ammonia/urea kept under review. (It is very hard to get $400 million odd for field/plant/harbour/infrastructure development.

I know from 9 years on - abortive - Tanzania effort with field comparable to Kudu and also "greenfield". Can be viable. But Namibia should not guarantee loans to enterprise. Probably 25% Namibian equity and Additional Profits Tax best way to approach revenue/surplus sharing. Really largely Mines issue. Could be strategic.

39. Page 80. Indeed need to be dealt with. First by Ministry working out much more detailed terms of reference. Then by one or more consultancies, not necessarily by UNIDO.

40. IDC (page 89). Consult Botswana (on its experience) and CDC first. Then work out Namibia interim goals, terms of reference. Then discuss with possible partners (CDC-Dutch-Germans maybe) before hiring new in-depth study. This is strategic but rush to ill-defined consultancy likely to be "more haste, less speed".

41. Training and Finance, etc. (Pages 90-93) for micro to small industry do matter. UNIDO has no track record in building them up except for medium scale (e.g. 50-100 employees) which is (not incidentally) India's strength. First need is survey of small and micro enterprises including listening to them on needs/services wanted/ability to pay for services. Then locate people who could

help you build up programme design from survey results. Only then seek an agency to pay. "Off the shelf" UNIDO hands won't be able to do the job except for medium scale.

42. Page 94 ff - Para 28. Decide what your priorities are. Find out what private sector could put in. (Study Zimbabwe Chambers of Commerce and of Industries for possible approaches, constraints.) What is proposed is too elaborate, bureaucratic, skilled personnel intensive as well as lacking clear, articulated, practicable objectives.

43. Despite these comments the Report is a useful start. Can build from it. Danger is headlong dash for shotgun, non-prioritised, consultant driven wave of studies, institutions projects before you decide your priorities, look directly at Zimbabwe and Botswana parallels, find out what exists in Namibia and what entrepreneurs want, determine economic-fiscal-personnel limits of the feasible.

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[Manuscript processed in Prof. Green's absence and therefore not checked for any errors or corrections.]