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MANUFACTURING MANAGEMENT IN NAMIBIA: PROSPECTS FOR INNOVATION

Report and Programme Proposal

V.94-26616

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ABBREVIATIONS

AMCOM	Amalgamated Commercial Holding Company
CBO	Community-based organisation
FNOK	Eerste Nasionale Ontwikkelings Korporasie (= FNDC)
EU	European Union
FNDC	First National Development Corporation
GTZ	Gesellschaft für technische Zusammenarbeit (German Agency for Technical Cooperation)
ILO	International Labour Organisation
NDC	Namibian Development Corporation (formerly FNDC)
NEC	Namibian Engineering Corporation
NGO	Non-governmental organisation
NNCCI	Namibian National Chamber of Commerce and Industry
NPC (1)	National Planning Commission
NPC (2)	Namibian Plastic Converters (Pty) Ltd
PTA	Preferential Trade Area
(Pty.) Ltd.	(Proprietary) Limited (describing a limited-liability company with a restricted number of shareholders and shares which are not traded on stock exchanges)
SABS	South African Bureau of Standards
SACU	Southern African Customs Union
SADC	Southern Africa Development Community
SME	Small and medium-sized enterprise
SSA	Sub-Saharan Africa
SWAPO	South West African People's Organisation
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organisation
USAID	United States Agency for International Development
WVTC	Windhoek Vocational Training Centre

CURRENCY

The Namibian dollar was first issued in November 1993. Before that only the South African rand was used. Now both currencies are legal tender in Namibia, and the Namibian dollar is at par with the rand. The official UN exchange rate in May 1994 was US$1 = N$3.6.

SUMMARY

The report opens by tracing the origin of this study, the first of three financed by the Government of Japan in different African countries, to a case-study of a Japanese-owned and Japanese-managed firm in Tanzania which has maintained consistently good results since its foundation in the 1960s. The basic question to be examined is whether innovative management style and techniques, especially Japanese, can improve the performance of manufacturing industry in Namibia. The second part of the introduction, 'Why Namibia ?', addresses a number of arguments against undertaking such a study in a country where industry is largely in the hands of relatively prosperous white managers and has good access to South African and other expertise, but makes a small contribution to GDP. It is argued that in a developing country with a high incidence of poverty and illiteracy and growing unemployment support to medium-sized and larger industries is no less justified than support to other sectors and that past policy errors do not invalidate this justification. Many other agencies are assisting small industry development.

In the third part of the introduction the uncertain reliability of basic data is noted, not only in Namibia but in other African and many other countries. Lastly, the introduction points out certain features of Namibia which taken together make it a highly unusual country which does not fit into categories. These features are (1) the recent achievement of independence and the consequent institutional uncertainty, (2) the very small population - of only 1½ million, (3) strong but relaxed awareness of ethnic differences, within white and coloured groups as well as black groups, (4) the strong German presence, (5) the glittering and orderly town of Windhoek, which is not less "real" than the huts and kraals in the northern districts, but points up the enormous range of personal incomes, and (6) the exceptionally high quality of the infrastructure, which incorporates roads which are not clogged with traffic even in urban areas.

In **Chapter 2**, for the benefit of readers unfamiliar with the country, basic information about the geography and human geography of Namibia is outlined, emphasising again the sparseness of the population in a huge area and drawing attention to the question of water supply. A short description of the economy and of government economic policy sets the scene for closer consideration of industry in **Chapter 3**. This chapter first describes industry in general, dominated as it is by mining, and then looks at the quite small manufacturing sector, itself dominated by food and beverages. At the end of this chapter the prospects for manufacturing industry and the issues, both positive and negative, which might affect its development are considered. Brief profiles of the enterprises visited by the enquiry team are presented in Annex 2.

Chapter 4 examines the experience and training of the present generation of industrial managers and notes that for the most part, but not in all cases, management training is considered important. Most managers seem to have attended some form of training, even if briefly, usually in South Africa (of which Namibia was effectively a part until 1990); some have attended major courses at South African universities such as Stellenbosch. As regards current practice, some companies have properly formulated training programmes which include management training, especially in cases where the companies are subsidiaries with larger corporate resources behind them. Such training is again likely to be in South Africa, or conducted in Namibia by itinerant South African trainers. South Africa undoubtedly has the most

widespread influence on Namibian management style and techniques and given the well-informed and sophisticated nature of South African industry and supporting services, together with special knowledge of the present cultural context, Namibia stands to benefit, and it may be added that Japanese techniques may already be learnt in South Africa. The influence of current German management practices on companies which are owned or managed by Namibians of German origin is not thought to be great. It is concluded that a more balanced and systematic approach to management training could beneficially be adopted by some companies. This would be made easier if local resources were more readily available. Many managers will state that they do not have time for training.

In **Chapter 5** the fairly limited management training facilities available in Namibia are described. The formal institutions are the University, the Technikon, and the Institute for Management and Leadership Training. The first is so new that it is scarcely in operation. The Technikon offers middle-level programmes and is in a state of transition. The IMLT offers short specialised courses suitable for junior and middle-level managers. No institution offers training programmes or seminars for senior management. There are a number of consultancy firms, and as indicated above South African trainers include Windhoek on their tours. Despite their value they do not offer systematic information on innovative management systems. This is an area which would benefit from reinforcement but it must always be borne in mind that the Namibian market for management training is small. Sub-regional resources (e.g. in Zimbabwe as well as in South Africa) should continue to be used and Namibia could in turn become a sub-regional resource for certain special subjects.

Government policy is briefly described in **Chapter 6**. Industrial policy is largely confined at present to the promotion of manufacturing through fiscal incentives and the gradual elimination of licensing and other regulatory restrictions, some apparently inconsistent with each other. More generally, investment incentives are in place but private foreign investment has so far been slow to take them up. The Labour Act 1992 is starting to take effect but is widely regarded as too complex and beyond the reach of present resources for full implementation. Possible replacement of SACU through South African membership of the PTA and implementation of the recent GATT agreements are expected to have major but mostly unpredictable effects on Namibian industry. As regards technical assistance, USAID's planned "affirmative action" management training programme is the most closely related to this study. The NNCCI is supported by German assistance, and the fledgling Northern Chamber by Finnish Church aid. German assistance is also going to vocational training, and the IMLT mentioned above receives assistance through the Hanns Seidl Foundation. A European Union programme is expected to assist central government to develop HRD strategies.

The report concludes in **Chapter 7** by looking at the prospects for the introduction of innovative management in Namibian industry. African culture may share the Japanese propensity for consensual decision-making, but there are factors which might make Japanese management style less easy to introduce. These include the cultural mixture of Namibia, in contrast to Japanese homogeneity; and it is not certain that Africans can accord commitment to an economic organisation. Furthermore the generality of Japanese is much better educated than are Namibians. However Namibian industry would be ill advised to ignore changes in work organisation and job design. This chapter goes on to describe the definitions of integrated human resources development elaborated by various United Nations agencies including UNIDO and suggests

that despite their apparent utopianism they may contribute to developments in Namibian industry by which all the six interest groups will benefit. The concept of integrated HRD could also provide a neutral field for discussion between industry and government, and between government departments. Lastly, the channels of communication necessary for a sustained flow of information on management style and techniques are discussed.

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Chapter 1: Introduction

1.1 Origin and implementation of the study

1. This study is the first of three country studies on human resources development in African industry to be funded by the Government of Japan and carried out by UNIDO in 1994. The idea for the project as a whole came from a case study of a single firm in Tanzania prepared by UNIDO in 1992 and followed early in 1993 by workshops based on the case study, also financed by the Government of Japan.

2. The firm in question was the Matsushita Electric Company (E.A.) Ltd., a subsidiary of Matsushita Electric Ltd., a multinational electric and electronics company with headquarters in Osaka, Japan. The characteristic of Matsushita EA which attracted attention was its continuously successful and profitable performance from its foundation in 1965 until the present time, in contrast to the performance of manufacturing industry in Sub-Saharan Africa (SSA)[1] in general and in Tanzania in particular.

3. The company's success was attributed to good management and to a well-trained and motivated labour force. This labour force numbered some 450 at the time of the study, under the leadership of four Japanese in the top managerial posts.

4. The subsequent questions, which this study and the two studies to follow set out to address, are whether current and future success in manufacturing industry in SSA can be assured, or at least made more likely, by some innovative and commonly applicable management practices; in particular whether the Japanese practices which have proved so successful not only in one Tanzanian enterprise but in Japan itself, other Asian countries, and elsewhere, have a general contribution to make, especially in enterprises which are not led by Japanese managers and are not subsidiaries of Japanese companies. A subsidiary question is the extent to which "a well-trained and motivated labour force" can be created by good management in any social and economic environment regardless of initial levels of education and training. It is clearly important to enquire as well into the experience, training and outlook of present industrial managers, and into the facilities and channels through which new information is acquired.

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[1]The term "Sub-Saharan Africa" has hitherto excluded the Republic of South Africa (RSA). Reference to RSA no longer being taboo, due consideration can be given to its relative industrial strength and performance, and to the contribution it can make to industrial development and training in countries to the north, not least the three countries which are the subject of this project. South African industry is not, however, generally efficient by world standards and, like other African countries, will have to improve performance indicators such as quality and productivity in the face of the forthcoming GATT trade liberalisation. SSA countries which have ignored or opposed South Africa for a generation may find it as difficult to adjust to the new situation as "the West" has found it to adjust to the absence of a communist rival or enemy in "the East".

5. The enquiries in each country will be made over a period of about three weeks by a three-person team comprising a UNIDO staff member, an international consultant, and a consultant who is a citizen and resident of the country concerned. The UNIDO representative in each country will provide the substantive, administrative and logistical support without which the studies could not possibly be made in such short periods. The persons consulted in Namibia are listed in Annex 3 and UNIDO's thanks are due to them for the time given and interest shown.

6. A report is to be written after each in-country study, reviewed at UNIDO headquarters and submitted to the government for comment. As in this report, recommendations for further action will be made and the tentative outline of a technical cooperation programme included as an annex. It should be understood (a) that this outline programme is intended only as a basis for discussion and (b) that no funding has been offered or agreed for the programme or any component of it.

7. Some six weeks after each study is completed the team will return to the country concerned. UNIDO, in cooperation with the Ministry concerned, will call a meeting of interested parties - government, industry, workers' organisation, training - to discuss the report, which will have been revised in the light of government comments. Representatives of multilateral and bilateral lenders and donors will also be invited to discuss the proposed technical cooperation programme.

8. On the following days a two-day seminar will be arranged[2] at which a lecturer from Japan will present the salient features of the Japanese management system and style. Here again it should be emphasised that Japanese management is a subject for discussion; it is not offered as a solution or prescription. Still less is the seminar to be treated as a period of instruction. As much as anything UNIDO hopes to receive guidance as to the applicability of the system and in more general terms as to the conditions for successful manufacturing in the country concerned, with particular reference to human resources development.

9. It is hoped to round off the project in 1995 with the publication of working guidelines and with a conference at UNIDO headquarters to discuss these guidelines; but the guidelines can of course be written only if useful, general and innovative principles do indeed emerge.

10. After Namibia the two countries in which studies are to be carried out are Zambia and Zimbabwe (subject to approval of their respective

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[2]Participation is by invitation and is limited to 30 persons, a manageable number for discussions. In Namibia interest was sufficient for the seminar to be arranged twice. The first was for representatives of government, intermediate organisations such as Chambers of Commerce and Industry and professional associations, and education and training institutions; the second for practising industrial managers. The original plan was modified and two speakers resident in the United Kingdom addressed both seminars. They were Dr Akimasa Kurimoto, Strategic Development Manager of Yamazaki Machinery UK Ltd, and Mr Sueaki Takabatake of Tiba Associates Ltd, of London, a director of Amersham PLC.

governments). The final choice of countries was made by the Government of Japan from a short list prepared by UNIDO.

1.2 Why Namibia ?

11. Zambia and Zimbabwe have built up substantial manufacturing industries and their total MVA puts them in the top half-dozen SSA countries after Nigeria and South Africa. Namibia in contrast has little manufacturing industry and on the face of it little prospect of major development in this sector. Why should such a country be selected for this project ?

12. The study has revealed that Namibia is in fact full of special factors and exaggerated difficulties which make the country particularly interesting. At the very start of the project the study team has to face questions, which arise in particularly exacting form, as to the objective and nature of UNIDO's interventions.

13. The first question is whether UNIDO should lend support to formal-sector industry which is almost entirely owned by white Namibian and foreign investors and operated by a small white élite. This élite, although largely Namibian, is benefiting from good education which was not available to the present adult non-white population, owns most of the locally-invested capital and acquires most of the cash income. At present the shortage of adequately educated, trained and experienced non-white men and women who wish to work in industry greatly reduces the possibility that they will build up a significant presence in Namibian industry[3] within, say, the next five or ten years.

14. The justification for UNIDO's support is that Namibia is a developing country in which the great majority of the population is poor and a high proportion of adults is illiterate and increasing numbers are adult and unemployed, and that in such a country any contribution to increased employment and to the prosperity of the community in general is desirable. It is up to the government and to industry itself to assure equitable distribution of the returns from industrial activity. Although Namibia (like any country) will live with the consequences of past policy errors for a generation, the errors themselves have been corrected; it would not be proper to withhold assistance on the grounds that their effects are still all too evident.

15. Should UNIDO not be targeting the poor directly ? Sponsoring informal micro-manufacturers for example ? This area of activity might have a more acceptable appearance, but plenty of other international and bilateral agencies, CBOs and NGOs are promoting formal and informal SMEs of all kinds. The recent ILO Draft Programme Document remarks (page 10) that "Namibia must be the country in Africa with the highest NGO/CBO per person". Furthermore although UNIDO's counterpart ministry, the Ministry of Trade and Industry, has a Division of Small Scale and Informal Industries, the same ILO document notes that "a host of ministries have either formulated or initiated programmes to promote employment through the development of small scale enterprises, skills development and income generating activities. These include Ministries

[3] A forthcoming USAID project aims to accelerate the development of non-white management in industry and commerce as a whole. See 6.3 below.

of Trade and Industry, Youth and Sport, Labour and Manpower Development, Education, Local Government, Department of Women's Affairs, and Agriculture." (Page 8). The ILO programme itself is for "Small Scale and Informal Enterprises in Namibia". In these circumstances a UNIDO contribution might not be so welcome or useful, and in any case small-scale manufacturing is not the organisation's principal forte.

16. The second aspect of Namibian industry which might be thought to undermine the justification for UNIDO's support for manufacturing industry is the ready access to new technology and management systems enjoyed by manufacturers through supplier and parent companies or consultancy firms virtually on their doorstep in South Africa, and to pre-employment or in-service management training at South African universities (which generally have business schools) or training institutions. The response here is that South African industry, although comparatively well developed in the sub-region has been well protected and is not efficient and well-informed to world-class standards. Furthermore educational opportunities for Namibians at South African universities are likely to be greatly restricted by the new South African government and to become very much more expensive. Thirdly it can only be beneficial for Namibian industry to establish its own view of the world, psychological independence from South Africa even if economic dependence will persist. UNIDO should be able to contribute to this process.

17. International linkage is complicated, or enriched, by the German origin, language ability and orientation of a good number of industrial owners and managers, which give similar access to German expertise. When it comes to the possible adoption of Japanese management style and systems, the German cultural disposition is already relatively close[4] to the Japanese disposition in many aspects of industrial organisation. It remains to be seen whether this affinity makes Japanese inputs superfluous or particularly welcome in enterprises run by Germans or Namibians of German origin; or whether, a third possibility, the Namibian context makes the affinity irrelevant. (This question is pursued in Chapter 7.)

18. A further question concerning the value of and justification for UNIDO's activity arises from the small size of Namibian manufacturing industry (contributing as it does 6% at most to GDP) and the equally small prospect it has of sufficient development to make serious inroads into unemployment. Such development as can be foreseen may indeed reduce employment in existing firms through higher productivity of labour. New industries will have to offer high knowledge-based value added if they are to be competitive. (These points are considered further in Chapter 3 below.) By far the most important industry in Namibia is mining, and for reasons lost in its history UNIDO does not deal with mining, nor, it seems, with the processes immediately following extraction such as refining and smelting which could be

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[4]compared to that in the United States and the United Kingdom, amongst other countries. See Hampden-Turner and Trompenaars, **The Seven Cultures of Capitalism**. This book does not however deal with South Africa or any other African country.

considered "manufacturing" in that materials are transformed. If these processes, and diamond processing for that matter, come to be developed in Namibia it is much to be hoped that the industries themselves and UNIDO will find a fruitful field for collaboration.

1.3 Quality of data

19. As will be seen from Annex 4 the enquiry team has accumulated a considerable volume of information about Namibia as well as supporting documentation. Quantitative data has not always turned out to be consistent, or available at all; textual statements in some documents or reports are also inconsistent with others. Readers should accordingly treat the "facts" and figures in this report with caution, and if quoting them should not give them an air of certainty or authority.

20. As examples: the World Bank Atlas, 25th Anniversary issue, gives the population of Namibia as 1,834,000; the 1991 Population and Housing Census counted 1,409,920; the UNDP Human Development Report, 1993, (Table 23) gives an estimate of 1.5 million for 1991. (The general opinion is that the World Bank figure is a misprint or aberration.) The area of the republic is given by the Surveyor General as 823,144 square kilometres, with which the Human Development Report agrees closely (82.4 million hectares), but "Namibia in Figures", published by the Standard Bank, an institution which can be expected to get its figures right, gives it as 825,580 square kilometres. Unusually, the area of Namibia has in fact recently increased, the port of Walvis Bay and a piece of surrounding desert having been handed over by South Africa on 1st March 1994. The Standard Bank explicicly excludes Walvis Bay from its figure and the area given by the Bank for the enclave, 1,124 sq. kms., does not in any case account for the difference. This latter difference is not of course very great or important but it does contribute to the general air of uncertainty.

21. It has been of much greater concern to the enquiry team that two important surveys have not yet been completed. One is a manpower survey conducted by the Ministry of Labour and Manpower Development and the other is a survey of manufacturing establishments conducted by the Ministry of Trade and Industry. In both cases the verification of results and the reconciliation of internal inconsistencies have proved exceptionally lengthy and uncertain procedures. One volume of the manpower survey has however been published, and the enquiry team has been given access to "A Preliminary Report on the Survey of Manufacturing Establishments", an internal ministry document. This latter contains tables which if not completely trustworthy to the last digit at least indicate useful orders of magnitude.

22. It should be noted here that Namibia is no worse off, and probably better off, than many other countries in regard to data. Roger Riddell, in "Manufacturing Africa"[5] refers to "the woeful inaccuracy and/or unreliability of much of the data available for comparisons, most notably those published by the international agencies ... the degree of inaccuracy cannot easily be judged ...". In regard to manufacturing

[5]London, Overseas Development Institute, 1990. Page 10

"one difficulty relates to the definition of manufacturing and, in particular, to the sometimes hazy distinctions between manufacturing and mineral and agricultural processing ... the definition of what constitutes manufactured exports also varies significantly"[6] He points out further that official data "will refer almost exclusively to formal sector industries (but by no means all of these) and tend to give a disproportionate view of the range, scale and number of small-scale manufacturing operations. Informal activities are omitted, even though in many countries ... it is apparent that a significant proportion of manufacturing activity takes place within the informal sector." (Inaccuracy and unreliability of data are not of course an exclusively African phenomenon; an equivalent critique could probably be made in, say, the European Union.)

23. Although there may thus be errors in this report the enquiry team is confident that none is so gross as to compromise the conclusions and recommendations or the subsequent programme proposal in Annex 5, for which the enquiry team accepts full responsibility.

1.4 Some special features of Namibia

24. Although points of comparison can be found between Namibia and some other countries (such as Mauritania or Mongolia as to low density of population, or Ireland as to the economic dominance and former political dominance of a neighbouring state), the country presents a package of features which make it out of the ordinary. Some of these features are described here and should be borne in mind: Namibia is a surprise which cannot, for the purpose of this report, be treated on the basis of assumptions which apply elsewhere.

25. First of all, it is to be remembered that independence is very recent: it was only on 21st March 1990, just over four years ago, that President Sam Nujoma took over power from the last South African Administrator General, Louis Pienaar, at a ceremony in the presence of the then Secretary General of the United Nations, Javier Perez de Cuellar and the then President of South Africa, F.W. de Klerk. That event and the twelve preceding years of armed conflict are still fresh in people's memories. It is true that the war was largely fought on Angolan territory, and by South Africans against Cubans, but the "South Africans" included young men of all colours who are now Namibians and their enemies included the SWAPO freedom fighters some of whom now form the government and occupy senior civil service and other public posts. All the same the government's policy of reconciliation seems to have been a success and in the experience of this enquiry team there is a remarkable absence of tension in official and other meetings.

26. The few years of full independence have not been enough, despite a certain degree of administrative autonomy and institutional development in the last dozen years of South African rule, for the present institutions to have settled down. An enquiry team such as this one is

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[6] At least at the level of the Namibian enterprise sales to South Africa may or may not be considered an "export", not least because both countries belong to a customs union (SACU).

constantly finding that major changes are afoot, in the structure, function or personnel of this or that public organisation and there appears still to be an even greater lack of coherence in policy and activity than there is in older countries. Namibia is of course coping with the establishment of new institutions at a time when the role of governments is generally in doubt; it is trying to privatise and deregulate and establish new functions and assert authority all at the same time.

27. The visiting consultant has to bear in mind the small scale of the country in terms of population, for all its huge area. The total population is no more than that of a medium-sized city, more than a third of the people live in two or three districts along the Angolan frontier to the north (formerly known as Ovamboland), and the population of the capital is that of a moderate provincial town, about 150,000. One effect is that people tend to know each other at their respective levels. there is simply no need for elaborate inter-connective systems and organisations, and there are probably not enough people to staff such organisations anyway. Similarly industry is a small affair, and indeed manufacturing plays a particularly small role in Namibian society.

28. Namibians are very much aware of ethnic origins and of sub-divisions amongst the various groups. For example there is a distinctive sub-division of German origin amongst the white group; there are two main groups of coloured[7] people, one called the Rehoboth Bastards; and there are three or four major groups of black people, who not only have different languages but distinctive appearances and in some cases distinctive clothes. Although most Namibians of all groups wear ordinary homogenized clothing the colourful and voluminous dresses and bicorn head-dress of Herero ladies indicate that they at least have no intention of being homogenized. This recognition of differences is refreshing for its absence of cant. It does not mean, of course, that the economic and educational differences which too readily coincide with ethnic differences do not cause tensions.

29. The strength of the German presence is a surprise given that Namibia's status as a German possession ended de facto with South African occupation in 1915, a very minor event in the First World War. The situation was confirmed by the Treaty of Versailles in 1919. The Germans settlers themselves did not leave. They have been joined by a good many more migrants from Germany and now prosper to the extent of dominating a good deal of the commercial and industrial life of Namibia, out of proportion to their numbers. Many cattle farmers are also of German origin. Amongst the white population the social "Prominenz" of Windhoek is understood to be German, but there may be equivalent poles of social status amongst other groups, not least the non-whites. Certainly German is widely spoken and many public signs are

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[7] "Coloured" is not, as sometimes in Europe, an alternative word for "black". The blood, or skin colour, of coloured people was mixed some three centuries ago and they regard themselves as a separate ethnic group. Their language is Afrikaans (a derivative of Malay and Dutch) and they do not speak an indigenous African language; they are primarily urban. See also "Human Geography" in Chapter 2.

in three languages, German, Afrikaans and English; street names are as likely to end in "-straße" as in Straat or Street. The German cultural presence is emphasised by colourful pastiches of old German buildings, with steeply pitched roofs, in central Windhoek and elsewhere; and it is probably a Germanic sense of civic responsibility which gives the city centre its pedestrian shopping streets and its generally clean and orderly appearance. German influence is not confined to Windhoek: in Otjiwarongo the main hotel is the Hamburgerhof, and in Swakopmund the main street is still called Kaiser-Wilhelm-straße.

30. It is not only the cleanliness and orderliness of Windhoek which are striking, it is the air of prosperity. The city centre has more shops than any European town of equivalent size could possibly sustain, and they are full of a virtually complete range of "first-world" goods, all imported from South Africa. There is a wide selection of cafés and restaurants. Buildings and equipment are kept in good condition. The clear and dry high-altitude air make this relatively easy in Windhoek, which is at 1650 m. above sea level, but even Swakopmund, on the coast, alternately wrapped in Atlantic fog and sand-blasted by the east wind from the Namib desert, is determinedly well painted.

31. The visitor is often told that Windhoek is a special case, not the "real" Namibia. It is real enough, and enough money is evidently made to keep the show going. As a legacy of apartheid the coloureds live in the area of Khomasdal, and the main black community further out in Katutura, "the place we do not want to be". But now that it is no longer compulsory to live there people do not move from their areas. Compared to some of the rougher townships of South Africa, and indeed to some of the rougher areas of European cities, the non-white areas of Windhoek are well appointed, and they are fully serviced. Wealthy residents have built themselves fine houses. The growth of squatter camps and bidonvilles is effectively prohibited and the municipality continues to prepare further serviced areas for new residents to buy. This controlled growth is made easier by the low numbers involved. However, the difference in style and amenity between the mostly white areas and, say, Katutura is plainly visible, and even if there are equivalent ranges of difference in other continents, the coincidence in Windhoek between apparent prosperity and skin colour is bound to create a sense of unease.

32. "Real" Africa is to be found in the north. Little round huts of the Ovambo people, with thatched roofs, gathered in kraals amongst the mahango (pearl millet) fields; and the Ovahimba in the semi-desert of the north east, who live in small hemispheres made of any material they can find, wear next to nothing, and are said to be amongst the most primitive peoples in the world. They might indeed be on another planet compared to Windhoek. Whether this makes Windhoek morally unacceptable, and whether such people should be "developed" or left to their own ways, perhaps as anthropological curiosities, are questions happily beyond the scope of this report

33. A final point to be made concerns the infrastructure of Namibia, in the form of roads, railways, air services, telecommunications, and public utilities. The main arteries are in place, installed at colossal expense to the South African taxpayer, and are maintained at a very high standard. There is far less traffic than can fill even the urban

roads.* In the highly populated north the capillary system still needs considerable extension, and projects are duly in progress, although it is not known whether the Ovahimba are to be "beneficiaries".

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*It is probably the absence of traffic-related stress and delay which, as much as the sunshine and clear air, make Windhoek so easy and relaxed.

Chapter 2: Country description

2.1 Geography

34. As is the case with many African countries Namibia lies within land frontiers established by European powers and does not enjoy natural physical or ethnic unity. The Orange River (named after the Dutch royal house) forms the southern border with the Republic of South Africa; some 1,400 kms to the north the border with Angola is formed by the Kunene river, which flows into the Atlantic, the Kavango river which flows south-eastwards into Botswana (and disperses itself in the Okavango swamps without reaching any sea or any other river), and a straight line between the two rivers. The eastern border, with Botswana and South Africa, is a series of straight lines through the Kalahari Desert. The Tropic of Capricorn bisects the country.

35. At the north-eastern corner of the country a tongue of Namibian territory between 35 and 80 kms wide, known as the Caprivi[9] Strip (or Caprivi Zipfel), extends some 480 kms as far as the Zambesi river, which forms a short frontier with Zambia.

36. The Namib[10] Desert, on average 150 kms wide, runs the full length of the Namibian coast and continues north and south into Angola and South Africa. The cold Benguela current runs northward along the coast, which is thereby kept cool and often foggy, except when hot easterlies blow off the desert. There are few coastal towns, and such as there are rely on water drawn from boreholes, except for Oranjemund. The southernmost strip of coastal desert, some 250 kms in length, contains rich deposits of diamonds on or near the surface, and access is accordingly forbidden unless authorised by the mining concessionaires; this is the "Restricted Area" or "Sperrgebiet" and includes Oranjemund itself. Most of the rest of the coast is designated as "Parks", and even the dreaded Skeleton Coast is now "Skeleton Coast Park". North of Swakopmund an area of coastal desert is called "National West Coast Tourist Recreation Area" (a sadly suburban name for so desolate a place).

37. Inland from the desert the ground rises to the central plateau, of which some is very flat and some broken up into ranges of hills. The capital, Windhoek, lies at 1650 m. above sea level in one such range, namely the Khomas Hochland. Here and there granite mountains emerge from the plains. This plateau occupies most of the country, but in the north it is confined to the north-western corner, where it was formerly called Kaokoland, now part of the Kunene Region. Except for the former communal areas most of the area is used for commercial cattle-farming, or for sheep-farming in the south. The word "farming" should not be allowed to create an image of lush pastures: the area is semi-arid and mostly covered with the endlessly monotonous bush which is encroaching on grasslands. It takes ten to fifteen hectares to support a single cow. Huge areas of country are almost devoid of people.

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[9]Georg Leo von Caprivi was German Chancellor from 1890 to 1894, in succession to Bismarck.

[10]"Namib" is a local word for "desert".

38. East of Kaokoland, along the northern frontier, lie the flat, stoneless plains of Ovamboland and the other northern districts, well enough watered for high-density population, although water has to be imported from the border rivers. Some rain-fed agriculture is also practised in this area. The eastern side of Namibia is part of the Kalahari Desert, but this "desert", although not much can be done with it, does support a good deal more plant and animal life than the Namib and is used for extensive commercial small-stock farming.

39. Most rivers are ephemeral, only containing water during or just after the rainy season, from November to March when enough rain falls in their catchment areas, with only the frontier rivers already mentioned being perennial rivers rising in neighbouring countries. The northern rivers are used for limited irrigation; also for electricity generation at the Ruacana hydroelectric plant. Rainfall over most of the country is unreliable, declining from the highest average in the north-west to the lowest in the south-east. The "average", which is about 250mm a year, may not fall on a particular place for years on end, but Windhoek, in the hilly terrain, receives some 650 mm a year with regularity. Much of the rain is contained in natural underground water systems and extensively withdrawn through boreholes. Windhoek has large water tanks in the city, and a reservoir some miles to the north. The rainy season corresponds with the hottest time of year and much water is lost through evaporation as soon as it falls, and the bush, which comprises low trees, returns unwelcome volumes of ground water to the atmosphere through transpiration.

40. The general question of Namibia's water supply is of the greatest importance for the development of the country, and even its ability to support the rapidly growing population (3.1% per annum) will be called into question before long. Expensive desalination plants seem likely to be necessary in Walvis Bay and Swakopmund where water is currently tapped from ancient alluvial aquifers of the ephemeral rivers that flow to the sea. In the densely populated central northern area, where a good third of the population lives, extensive distribution systems, sourcing water from the Kunene River, are required as ground water is saline and surface catchment areas unfavourable. The Kavango river has great volumes of water, but it has to be shared with other countries and heavy withdrawals would damage the rare ecology of the delta in Botswana; this river is in any case inconveniently located in relation to the main dry areas of Namibia.

2.2 Human geography

41. Namibia is one of the least densely populated countries in the world. The population of about 1½ million people is unevenly distributed. Nearly half live in the northern districts along the Angolan frontier, and about 10% live in the Windhoek district. There are clusters elsewhere, and some small towns, but vast areas are virtually uninhabited, including the commercial cattle-farming areas, on which only the farmers themselves and a few farm-workers live.

42. Most of the people who live along the northern frontier are of the OshiWambo group, who are divided into eight sub-groups with differing

languages, but all matrilineal[11]. They number over 600,000. In the days when Namibia was a German possession, i.e. from 1890 to 1915, Ovamboland was very lightly administered; in fact it was never the intention of the Germans to take over this part of the country, and they did so only for the sake of creating a tidy frontier with the Portuguese in Angola. In South African times Ovamboland and the other northern districts continued to be left very much to their own devices. The people were however confined to the north by an extremely long fence which runs from the desert in the west to the eastern frontier, and were permitted to cross to the south only if they had jobs to go to as seasonal or contract migrant workers in mines, on farms or elsewhere. (The fence is still there and now serves as an animal disease control system.) The restriction on movement was removed well before independence and Wambo have percolated into most areas of the country, quite energetically taking on independent commercial activities (mostly shop-keeping) and finding formal-sector employment in mines, manufacturing, construction and services. They suffer as a group from the legacy of neglected education and all too many are illiterate.

43. The other major group living in the north is the Kavango. They number some 110,000, and are divided into six matrilineal groups. Together with the OshiWambo they account for nearly half the total population.

44. Namibians of European origin number about 75,000, or 5% of the population. Some 50,000 have Afrikaans as their mother tongue, and upwards of 20,000 German, the remainder being almost all English-speakers. The lingua franca is Afrikaans and just about all of this group speak this language fluently. Many also speak good English, especially in urban areas, and since English has now been designated the official national language and medium of education it will become more widespread, and over the years replace Afrikaans as a means of communication with the non-white population. These white Namibians benefited during the years of South African rule from much higher public expenditure per head on education, supplemented by private and charitable expenditure; they have been partially displaced since independence from the civil service and other public services but are still in firm control of commerce, industry and large-scale cattle-farming and sheep-farming.

45. Coloured Namibians fall into two groups, one of about 50,000 people, descendants of immigrants from Cape Colony. Afrikaans is their language. They mostly live in urban areas and occupy a great number of clerical and similar white-collar jobs requiring a reasonable level of education. (The previous administration, as in South Africa itself for a couple of centuries, thought coloured people a cut above the black population and promoted their education with greater enthusiasm and resources. It helped that they spoke Afrikaans and were largely of the Protestant persuasion.) Coloured people come in the full range of skin

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[11]This information on ethnic groups is mostly taken from **This is Namibia** by Gerald Cubitt and Peter Joyce, Cape Town, Struik Publishers (Pty) Ltd, 1992. Despite an obscure reference to "the northeastern seaboard" the text is believed to be reliable. (The pictures are excellent, and very well printed in Singapore.)

colours from white to black but definitely consider themselves a distinct group; they have no desire for assimilation. Their identity will however be put under pressure by the decline of Afrikaans as the common language of the country.

46. The second group of coloured people are the 30,000 strong Bastards or Basters whose Calvinist forefathers migrated from Cape Colony in the 1860s and settled in and around Rehoboth, to the south of Windhoek. During apartheid days their area was a virtually autonomous homeland, which in fact suited their independent spirit, which persists today. Their language is also Afrikaans.

47. There are several other groups of black Namibians. These comprise: 34,000 Khoi-san or Bushmen, who are not in fact always black and sometimes have an oriental appearance, and are said to have innate mechanical talents.

45,000 East Caprivians who live in their eponymous Zipfel and have more to do with the Barotse in Zambia than with other Namibian groups. In South African days their education was run in English by Transvaal authorities (unlike the rest of Namibia, to which education was delivered in Afrikaans by Cape Province authorities). East Caprivians thus have a head start with the new national language, but find it more difficult to communicate in rural areas outside the Caprivi.

90,000 Herero, Mbanderu, Tjimba and Himba. These latter two groups are said to be amongst the most primitive people in the world. The Herero participate more fully in the modern economy. Many Herero ladies wear highly distinctive costumes, long, many-layered and colourful dresses and pointed head-dresses.

90,000 Damara or Bergdama, whose language is in the same group as that of the Bushmen but who have a fully African appearance. They introduced pottery and iron-forging to the country.

60,000 Nama, often light skinned and again sharing a language group with the Bushmen. According to Cubitt and Joyce "they are amongst the very last substantial groups of the true Khoikhoi (once called Hottentot)."

7,000 Tswana, living, as might be expected, towards Botswana.

There is much more to be said about each of these groups but for the purpose of this report it needs only to be noted (1) that group identity is strong; and (2) that despite the patchwork of ethnic and linguistic diversity there is truly remarkable tolerance and respect between one group and another.

2.3 Economy

48. The principal components of the GDP in 1992 were[12]:

General government	25.2%
Mining and quarrying	20.1%
Trade, hotels & catering	12.2%
Agriculture & fishing	11.5%
Finance & property	8.2%
Transport & communications	7.0%
Manufacturing	6.1%

49. In 1992 Namibia had a positive trade balance and a positive balance on current account. External debt is not, as in many other African countries, a significant problem[13]. The government has however been running an internal budget deficit. This amounted to 8.3% of GDP in 1993 and is estimated at 6.4% for 1994, to be covered by the issue of government stock. In this connection a World Bank/UNDP mission has recently visited Namibia to discuss methods of curtailing this deficit.

50. GNP per head of US$1520 (1991) puts Namibia in fourth place in SSA, after Gabon, Botswana and South Africa (or fifth place if Mauritius is included). In "Purchasing Power Parity" dollars, Namibia's GDP per head is $2,381, compared with the average for all developing countries of $2,730. On this measure Namibia is ranked after Swaziland, Congo and Cameroon as well as Gabon, Botswana and South Africa[14].

51. Income distribution is notoriously skewed. The draft ILO Programme Proposal states on page 1 that "in 1991 the average per capita of the white modern sector was US$16,300, the non-white wage employment sector per capita was US$750 and that of the traditional sector was US$85." Although it is undeniable that the figures reflect a basically real and highly undesirable state of affairs, not least for the apparent correlation between skin colour and income, the source for the figures has not yet been added and their impact could be increased by further elaboration if information is available. It would for example be helpful to compare income disparities in other countries; and the traditional sector's $85 needs closer examination. There are some truly wealthy people operating in a virtually informal sector, and there is quite clearly a good deal of cash circulating in the informal sector of the "traditional" north, evidenced by the decision of two chain stores to open branches in Ondangwa and by the visible extent of other trading activities. (The Human Development Report tabulates income share of lowest 40% of households, and ratio of highest 20% to lowest 20%, but Namibia offers no figures.)

52. Only 29% of the population were in the labour force in the period 1990-

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[12]Source: "Namibia in Figures", 1994/95 edition. Standard Bank.

[13]According to the Economist Intelligence Unit "in 1993 total foreign debt would ... have increased only slightly from the US$362m recorded in 1992 (equivalent to 15% of GDP) and the debt-service ratio is unlikely to have exceeded 3%."

[14]Human Development Report 1994, UNDP. Table 18.

92. Of these 24% were women. 43% were in agriculture, 22% in industry, and 35% in services[15]. Some 70% of the total population is said to be "directly or indirectly dependent on agriculture for their living."[16] However these figures should be compared with Table 3 of "The Status of the Economically Active Population of Namibia" (Ministry of Labour and Manpower Development) which gives a total activity rate of 57.6 for persons of 15 years old or more. (Activity rate = economically active divided by total number of persons in the age group. Economically active = employed + unemployed + underemployed. The concepts of employment, unemployment and underemployment are extensively discussed.)

53. Reported in the forthcoming UNIDO Industrial Review, the ILO estimated the economically active population at 550,000 in 1990, which would have been about 40% of the population at the time. The annual increase was estimated at 3%, which represents 16,500 entrants to the labour market, a figure presumably itself increasing by 3% annually.

54. Farming of cattle, karakul and other sheep are the main commercial activities in agriculture. Large herds of cattle are also kept by northern communal farmers. Cattle are exported either on the hoof to South Africa, or slaughtered, packed and exported to South Africa - and, under special conditions and in limited quantities, to the European Union under the Lomé Convention. The karakul sheep, introduced from Central Asia in the nineteenth century, is still grown for its famous fleece but changing fashion and attitudes to animals have sharply reduced demand in the last twenty years[17]. With the exception of meat and dairy products "modern sector" food, including fruit and vegetables, is imported from South Africa.

55. The Atlantic waters off Namibia are particularly rich in various kinds of fish. After a period of over-exploitation a well-enforced fisheries policy has allowed stocks to recover and allowable catches have been increased. Fishing and fish processing are now important exports and sources of employment. (Namibians are not sea fishermen by tradition, but have taken to this occupation with great success. A school for crew, including ships' officers, is to be started with FAO technical assistance. On the other hand Namibians have not yet taken to eating sea fish themselves.)

56. By far the most important sector of the formal economy is mining. This accounts for about 80% of the value of exports. Diamonds, mined by CDM, a subsidiary of De Beers, contribute 40% of export mineral sales, and there is continuing if reduced demand for the uranium oxide produced at the world's largest opencast mine at Rössing, owned by the British group RTZ. Other minerals produced include copper, lead, gold, salt and marble, as well as various metals such as germanium. World prices are so depressed however that several mines have closed. Namibia is also

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[15]Human Development Report 1994, Table 17.

[16]Insight Guide to Namibia, p.288

[17]The distinctively crinkly Persian lamb fleece is taken from animals slaughtered when 24 hours old.

rich in semi-precious stones. Namibia has not been fully explored geologically and there are expectations that coal and iron will be found. A large gas field has been found off the Orange River, and there are oil deposits off the northern shores. Oil is also being sought inland near the Etosha Pan.

57. Even without benefit of its own oil and coal Namibia is reasonably well off as regards electricity, with a good supply hydro-generated at Ruacana on the Kunene river. This is supplemented by a coal-fired station (burning imported coal) near Windhoek, an oil-fired station at Walvis Bay and imports from the South African grid, partially compensated by exports. The current programme of rural electrification in the north will test these supplies, but further hydro-electric generation, at Epupa, also on the Kunene, is in the planning stage and is expected to be feasible.

58. A further and growing source of employment and export income is the tourism industry, attracting mostly high-income visitors from Europe and the United States to the game parks (for photography and limited trophy-hunting) and to the mountains and deserts.

59. Namibia has excellent roads and a rail network connected with the South African network. New highways are under construction to Zambia and Zimbabwe along the Caprivi Zipfel, and across the Kalahari to Botswana and South Africa; these will greatly facilitate sub-regional trade - in both directions. Telecommunications are also widespread and efficient. (At present all international communications are routed through South Africa and are thus expensive, but Namibian facilities in the form of a satellite ground station and peripherals are now being installed.) In this physical sense the infrastructure forms an excellent base for economic development. The human infrastructure is another story altogether and it will be many years before the educational backlog is eliminated.

2.4 Economic policy

60. The government's policy is to leave as much economic activity as socially desirable to the private sector, and indeed to divest itself of state-owned or parastatal enterprises. A number of state agencies are to be "commercialised", i.e. made financially responsible for themselves, and the Post Office has already been placed on this footing. The government can intervene by providing concessionary capital through the Namibian Development Corporation.

61. The government is also encouraging private foreign investment by means of tax and other incentives, and is encouraging manufacturing industry by means of similar incentives. (These are described elsewhere.)

62. Given the virtual integration of the economy with that of South Africa, membership of SACU, and membership of the Common Monetary Area, the government is however only gradually achieving elbow room for its own policies. The establishment of the central bank and the introduction of the Namibian dollar are steps towards more genuine independence. The influence of the mining companies, which are by far the largest employers and taxpayers, is more problematical. In any case the recent free trade agreement with Zimbabwe and the other liberalisation

measures which will follow the GATT agreements will circumscribe the government's economic autonomy.

63. The first National Development Plan (NDP1) is being formulated by the National Planning Commission and is expected to provide an indicative framework for coherent and longer-term decision-making both by government and by parastatal and private organisations. There is no question of NDP1 becoming an exercise in prescriptive central planning.

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Chapter 3: Industry

3.1 General characteristics

64. By far the most important industries in Namibia are in the primary sector: diamonds and uranium. Other minerals including gold and copper are also extracted. This sector contributed 20% to GDP in 1992. Apart from a copper smelting plant at Tsumeb little post-mining processing takes place in Namibia. The mining companies make use of local companies for the supply of certain imported machinery and for some local manufactures but they are for the most part self-sufficient. The main linkage with the rest of the Namibian economy comes by way of tax payments and wages, of both of which the mining companies are the largest payers by a long way.

65. Of other industrial sub-sectors, the construction industry contributed only 2% to GDP in 1992. The share of transport and communications was 7%, transport benefiting from increases in air and road traffic.

3.2 Manufacturing industry[18]

66. The results of the Ministry of Trade and Industry's Survey in 1993 are not yet fully elaborated. At this stage they reveal that there are about 270 manufacturing establishments, of which 39%, or 107, are in the Windhoek area. The food and beverage branch accounts for 35% of all enterprises by number, but the weight in terms of financial turnover is not shown.

67. Half of the total number of enterprises were in sole ownership, 30% were proprietary limited companies, and 10% were in the public sector. The most recent information on the size of firms comes from a 1989 survey, which showed that 40% of enterprises employed fewer than 10 people, and 30% between 10 and 20 people. Over half the manufacturing labour force was employed in enterprises with 100-499 employees, 8% of the total number of enterprises at that time.

68. The manufacturing labour force is estimated at about 11,500 people, of whom about 15% are women. The food and beverage branch employed over half of the total. (The 1991 census counted 12,514 in manufacturing.)

69. The 1993 survey indicates that capacity utilisation was 65%. A Commonwealth Secretariat report of January 1994 estimates that capital employed per employee was US$36,000 in 1993, similar to the amounts in

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[18]Almost all the information in this section is derived from the draft of UNIDO's forthcoming study of Namibia in the Industrial Review Series and is sometimes quoted directly without specific attribution. The study will give a much more thorough account of Namibian manufacturing than is feasible within the scope of this report, but will itself be partially dependent on completion of the Ministry of Trade and Industry's 1993 survey results. The study indicates "a definite need for ... sectoral studies ... to gain insight into the interdependence of the various components within and across different manufacturing branches. This may help to identify the missing links and reasons for the present lack of integration."

countries much more industrialised than Namibia. On the other hand the level of technology in Namibian manufacturing is not high, and there is a prima facie case for inefficiency in the use of resources. One reason for this may be the high cost of capital equipment imported from South Africa, where prices are estimated to be 15 - 20% above world prices. Labour productivity is also thought to be low. The preliminary findings of the 1993 survey indicate an average gross output per employee of US$20,000. This is about one half of South African and Malaysian levels, and less than one fifth of comparative figures for Western industrialised countries.

70. Brief accounts of the nine manufacturing branches follow:

7.1 Food processing and beverages. Processed meat and fish accounted for 70% of manufactured exports in 1992. (Fresh and processed food are the largest category of imports, 24% in 1991.) Dairy products, excluding cheese and butter[19], are derived from local milk, but wheat flour, animal feed, bakery products and margarine rely on imported materials. Local maize is supplemented by imports. Some companies, although recorded as manufacturers, confine their activities to packaging and distribution.

Food processing companies include: **Bonmilk** and **Rietfontein Dairy** which between them fill the demand for the dairy products which they manufacture; **Namib Mills** and **Agra** (see box) which produce maize meal, wheat flour, sorghum and animal feed, together with two smaller mills at Katima Mulilo (Caprivi Zipfel) and Otjiwarongo; 30 registered bakeries, which between them make a large variety of excellent bread and cakes very much in German style; three parastatal bakeries owned by AMCOM in Oshikati (see box), Rundu and Katima Mulilo, i.e. all in the north; **Baumann's**, biscuit manufacturers in Windhoek and Walvis Bay; the famous **Springer** chocolate factory, which exports 75% of its production, some to Germany and Switzerland, and which has recently been taken over by Cadbury Schweppes; **Täuber & Corssen**, who make margarine.

Beer and soft drinks are produced by **Namibia Breweries Ltd** (see box) and **National Beverages**. There are small plants in Grootfontein and Oshakati. "Informal sector" beer is brewed from sorghum and mahango.

The major company in meat processing is **Meatco**, although its major activity is slaughtering and packing for export. (See box). **Hartlief** manufactures a variety of sausages, salamis, etc, with an eye to the local German-speaking market, and for export to South Africa. (See box).

The fish processing industry was the subject of a detailed study by UNIDO in 1992, and the FAO has an adviser in the Ministry of Fisheries and Marine Resources. In addition to the companies visited by the enquiry team (see box) the most important company, or at least the largest foreign investor, is the Spanish **Pescanova**, based in Lüderitz, where it has erected a white fish processing plant. A separate subsidiary operates six fishing vessels and is planning to purchase three more. It is the only company which satisfies European production

[19]Butter imported from the European Union is widely available.

and product requirements. Exports for 1994 are estimated at N$200 million or more. Pescanova is continuing to invest and is expected to provide direct employment for 1,000 people, and indirect employment for some 200 - 300 more. (The company is reputed to have introduced a devolved system of production organisation with good results, but the enquiry team was not able to visit Lüderitz and see for itself.)

According to a newspaper report another major new fishing and fish processing company, **Consortium Group**, is to be set up in Walvis Bay by the Ohlthaver and List Trust Company, one of the major family businesses. Finance will come from German banks through German Development Cooperation.

7.2 Textiles, clothing and leather products. This branch comprises a fairly large number of small production units employing less than 10% of the manufacturing labour force. Cotton production and weaving have been introduced on a small scale in the north but practically all cotton cloth is imported. Karakul wool is mostly exported unwoven, but a little is made into carpets. There are 14 commercial weaving enterprises and one weaving school. Some small workshops have been set up in the course of NGO employment and income generating projects.

Small-scale enterprises also make up household textiles from imported materials, and screen printing and dyeing have been introduced to make products which appeal to tourists. Eight small firms and two medium sized firms make clothing, including government and school uniforms, but retail shops mostly stock the much more various and competitive clothes available from South African suppliers.

Luxury clothing is made from karakul fleece and other animal skins by **Nakara**. (See box). There are six other tanneries, including one very modern one operated by Meatco; four of these continue downstream to make various consumer products. A high proportion of the tanned skins are exported to Italy and other European countries as well as South Africa. One company, Otjiwarongo Crocodile Ranch, exports its particular reptile skins unprocessed to Europe, mostly Spain. The price is high enough to make additional processing unattractive.

7.3 Wood and wood processing. Given the arid nature of Namibia forest resources are surprisingly rich and underexploited. Even in the case of teak only about 5% of annual capacity is exploited. Between 60 and 80% of the actual wood harvest is exported to South Africa with little value added in Namibia. (Imports of wood and furniture are probably worth twenty times more.) Nonetheless there are a number of manufacturing companies using this raw material and employing some 10% of the labour force.

Two sawmills in the north are owned by **MKU Enterprises (Pty) Ltd** and one in the Bushman region is owned by **Namib Wood Industries**. Both companies manufacture furniture, filling about 5% of domestic demand. MKU employs 400 people in its two factories in Okahandja and Windhoek and has the monopoly in school furniture. It also makes a range of house, office and garden furniture, and some non-wooden household products. Namib Wood Industries has about 80-100 employees and concentrates on high-quality hardwood furniture.

A number of small firms in various towns produce furniture, including office furniture and kitchen units, for the local markets. The Kavango Curio factory runs a woodcarving operation larger than the usual cottage producer.

7.4 Paper products, printing and publishing. There is one producer of cardboard cartons, mainly for the fish processing industry; two companies use imported paper supplies to produce paper of different cuts and paper rolls, mainly for business purposes.

At least 14 companies are engaged in graphic design, printing and publishing, mostly in Windhoek. Five daily newspapers are published in Windhoek, one in Swakopmund and one in Walvis Bay. Printing technology is relatively advanced, but as noted elsewhere in this report one company found it had to go to South Africa for adequately printed labels, and the high-quality colour printing in two books on Namibia referred to by the enquiry team was done in Singapore.

The need for revised school textbooks and greater numbers of them will create a good market for some time to come.

7.5 Chemical products. A number of companies make a variety of products in this branch, using local materials to some extent but mainly mixing or repacking imported semi-finished products. Capacity utilisation for the branch as a whole was estimated at only 50% in 1993.

Three companies make paint. The largest is South African, **AECI**, and meets 60% of domestic demand. Another company, **Peralin**, makes paint from locally produced crushed marble.

Four companies make and/or distribute detergents, washing powders, etc. There is one local producer of soap, using tallow[20] bought from Meatco.

Large quantities of salt are produced from sea-water at Swakopmund and Walvis Bay, and almost all is exported[21]. (Salt is a precursor of chlorine and caustic soda but these chemicals are not produced in Namibia.) Sulphuric acid is produced at the Rössing uranium mine (from pyrites).

The vast supplies of guano on off-shore islands have been plundered for a century or more, but the islands themselves were only handed over to Namibia, with Walvis Bay, earlier in 1994. One collection platform has been installed and some 2000 tons are exported annually to Europe by the Salt Company of Swakopmund.

The only pharmaceutical company is Namibia is the recently established

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[20]Rendered fat, esp. of ox and sheep. (Chambers's Twentieth Century Dictionary). Meatco exports most of its tallow. Tallow is also used in candles, but these are not made in Namibia despite German predilection for them. Animal hooves could be used for glue manufacture.

[21]The salt has a high iodine content and could combat iodine deficiency in the north if sold there in domestic quantities.

Fabupharm. This company is described in the attached company profile box.

There are four plastics companies. One, **NPC**, makes piping (see box), and two others respectively make bottles and sheeting. **Spilo Namibia** makes woven polypropylene bags. All use imported materials.

Finally in the chemical branch charcoal is produced from the camel-thorn trees which need to be cleared from grazing land (not from precious forest). A few producers export charcoal on contract to Europe. This product is an example of a low-value product which has such low input costs that it can even be exported profitably. Charcoal production and marketing is thus the object of governmental encouragement.

7.6 Non-metallic mineral products. These products are used as building materials. There are three companies which employ more than 100 people each, and the others are small-scale enterprises. Local production includes clay and cement bricks, concrete wall sections and structural beams, window sills, kerbstones and other concrete products.

Sprengel Bricks use modern technology for the production of calcium silicate bricks using local sand and imported quicklime. Two companies make terrazzo products and terracotta tiles. **ITI** in Otjiwarongo (see box) is starting production of system-building materials, and an Italian company is investigating the market for another house building system.

No glass is produced in Namibia. Although there are illimitable quantities of the basic material, sand, it has been found to be of an unsatisfactory quality, and there are no local skills or tradition in glass-making. Production of ceramics is similarly absent except for small-scale handicrafts. There are large deposits of suitable clay in the north-east which may become a more attractive resource once the Trans-Caprivi Highway is completed.

Namibia is one of the few countries with commercial deposits of sodalite, a valuable stone known as "Africa Blue". At present it is exported to Germany in unprocessed blocks, but cutting, polishing and tile-making are under consideration by the **Namibia Blue Sodalite Company**.

7.7 Metal products, machinery and transport. The largest metal product company is **NEC** (see box). Other companies include **Wispeco** and **Allers Aluminium**, which meet the demand for steel and aluminium window and door frames. **Wire Industries** manufacture steel wire and wire products, some of which are exported to Angola, Botswana and South Africa. **MKU**, mainly manufacturers of wooden furniture, also makes metal furniture and locks. **Metal Box** in Walvis Bay makes cans for fish (up to 137 million annually). Other small enterprises make railings and other simple products for agricultural needs.

Machinery is not manufactured in Namibia but a number of firms maintain and overhaul machines and make parts. A technically advanced firm, **Swachrom**, supplies hydraulic cylinders to the mining industry. A number of firms in Walvis Bay, including **Hydroweld** (see box), provide

engineering services to the fishing industry, including marine engine maintenance and repair: one company, **Gearing**, has a small white-metal and bronze foundry for the production of bearings and propellers. Other companies in Swakopmund, Windhoek and Gobabis provide engineering repair and overhaul services.

On the electrical side, **Elco** makes timers and panels, invertors and controls; **Swanib Cables** started production of cables and electrical components in a new factory in 1991. **Namibia Industries** assembles air conditioning and refrigeration equipment. As with machinery a number of small companies provide repair and rewiring services.

There is no local production of motor vehicles except for a still small truck assembly operation started in 1992 by **Namibia Vehicle Manufacturers** in cooperation with the Indian firm Tata. Trucks are imported in knock-down kits (38 in 1993) and the load body is manufactured in Namibia by **Trail-a-Quip**. Expansion is planned, and a similar assembly enterprise is planned by another company for scooters and motorcycles. Other than these enterprises, local firms make specialised bodywork for vehicles and caravans.

It will be seen that there is a demand for basic engineering skills such as bench fitting, sheet-metal work and electrical wiring, but even the basic machine tools such as lathes and milling machines are not much in use and little high-precision work is required. There is scarcely any casting in Namibia. Welding is in considerable demand, and "coded" welders are tested under South African supervision. There is however no welding school. In general terms it appears that skilled workers are available at the levels required and in the numbers required; the labour market is not particularly tight and wages are not under upward pressure. However this situation may reflect lack of ambition on the demand side: it would perhaps be healthier if the complaint of lack of knowledge (in support of skill) made to the enquiry team at one company were more general, and transformed into demand for higher level technical education and training.

7.8 Jewellery. About 90% of Namibia's gemstones are exported with little value added. Namibia also has a rich reserve of semi-precious stones. There is only a small jewellery industry to exploit these resources, comprising some family businesses in Windhoek and Swakopmund, and these do so indirectly since they have to import refined gold and cut precious stones. The owners are mostly goldsmiths trained in the German tradition, employing small numbers of skilled and semi-skilled workers and training apprentices. Costume jewellery and decorative products are made from the local semi-precious stones, mostly for the local tourist market, although some are exported. There is a core of well-trained workers and designers in this branch, but despite a shortage of cutters and goldsmiths producers have not yet established cooperative training arrangements.

3.3 Prospects and issues

71. Namibian manufacturing industry faces well-rehearsed disadvantages: a small domestic market with limited purchasing power, distant export markets, need to import many inputs, competition (sometimes unfair, it

is asserted) from much larger enterprises within a customs union, a labour force which does not compensate lack of skills and knowledge with low cost. In these circumstances it is encouraging to see the drive and imagination which is being applied by many enterprises to their development in the relatively new context of a recently independent country.

72. It is not for this enquiry team to comment on the apparent lack of connectivity between industrial activities or the surprising unwillingness of Namibian industry to take up certain seemingly obvious opportunities to exploit and add value to natural resources. The connectivity - upstream and downstream linkages - may be tidy but is not necessarily desirable; and the obvious opportunities are presumably not so obvious on closer examination. Nonetheless it could be said that one of the prime functions of a Ministry of Trade and Industry, or of a Chamber of Commerce and Industry, or preferably of both in alliance, is to examine the country's industrial structure and to identify missing links which could be profitably filled by domestic production; and similarly, and just as essentially, to trawl the world for export opportunities for specifically Namibian products which can be sold under a "Namibia" mark.

73. If Namibian manufacturing industry employs, as is thought, some 12,000 people, a programme to <u>double</u> employment in the next few years would not cover even one year's increase in the labour force. It cannot be expect that formal, advanced industry of the kind covered by this study and which might successfully compete in export markets will make much of an impact on the employment question. But other beneficial effects flow from industrial development in the form of a general increase in prosperity and consequent creation of jobs to service industrial employees (building them bigger and better furnished houses, providing them with a greater variety of food and drink), and of course to service industries themselves (building, maintenance, transport, information technology). There may be an element of import substitution, but in the climate of free trade which puts a premium on classical comparative advantage this will not necessarily be desirable.

74. If such industrial development is to be a national objective, are the human resources available to achieve it ? Industry is not fashionable and industrial entrepreneurs require deep reserves of courage and enthusiasm. It is quite impossible to predict whether there are enough potential industrialists with these qualities to bring about a major expansion of industry, but it is not uncommon for young people who are the first in their families to be properly educated to aim for white-collar public-sector jobs. Those with business inclinations look to commerce more than industry. Here again both government and industry itself can valuably plan long-term information schemes, including for example short-term work experience for secondary school pupils. The aim of course is to attract a gamut of managerial and technical talents able to perform effectively in a knowledge-based industrial world. (This is not to deny the continuing need for manual skills.)

75. As regards the present generation of industrial managers, there is plenty of courage, energy and enthusiasm about the place, as well as a good deal of thoughtfulness about the future of markets in the new southern Africa, and the future of work and working relationships in

the new world of high technology and knowledge-based production. Equally there is certainly scope for tightening up these ideas, so that they can be focused on action, and making them a part of a longer-term strategic planning process. And the manager who has no time for longer-term thought, being fully occupied with day-to-day activities, surely needs support in standing back from the trees and having a look at the whole wood. This kind of support, whatever form it may take, is a form of training, which is by no means confined to sitting in a classroom for a certain number of hours; and it is training which is most certainly an investment rather than an operating cost.

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Chapter 4: Management in industry

4.1 Managers' experience and training

76. The number of enterprises and other organisations visited by the enquiry team is too small to permit quantified conclusions to be drawn concerning the experience and training of the managers currently running manufacturing industry in Namibia. Even within the small sample a wide variety was found. The following observations are therefore tentative, but are thought to be broadly correct.

77. Entrepreneurs who have started their own factories generally have no management training behind them, and no previous management experience which would have prepared them for the particular challenges of running a business. Accountancy skills are bought in, or are perhaps incorporated into the management team, but main-line managerial matters such as production and sales are not thought to require trained expertise. This kind of style and system is quite normal for the early days of a brave new venture usually started with insufficient planning or resources. The managers of new and growing enterprises, and sometimes of well-established ones, are often reluctant to hand over any aspect of control, but there does sometimes seem to be a regrettable lack of awareness of the potential benefits of a more professional approach, and of the dangers of neglecting professional inputs, or regarding them as a lot of nonsense. The attitude is part of a commendably buccaneering atmosphere, but it perhaps needs to be more readily moderated by caution as soon as an enterprise is airborne.

78. The original owners of family businesses seem to have had no need for management training, which probably had not been invented when some of the older Namibian firms were started; but the need for it is now recognised and it is becoming a more systematic within their companies. Current managers have as often as not attended short courses in South Africa, or courses run in Namibia by visiting South African trainers. These latter courses may form part of much longer distance-learning courses run by the business schools of South African universities. Some managers have acquired MBAs from South African universities.[22]

79. The enquiry team met a number of general managers (or equivalent) who are not specialised in the technical product of their enterprises, but are generalists or accountants. These enterprises are subsidiaries of larger enterprises, and it seems that in some cases, but not necessarily all, they had been placed to "turn the company round". It was in these cases that managers brought experience from other enterprises. Although the enquiry team met some other managers who had moved from one company to another the whole industrial labour market is too small for career moves within Namibia to be much practised. (On the

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[22]It should be recalled in this connection that the present generation of managers grew up in a Namibia which was effectively part of South Africa. Tertiary education and training in South Africa was not considered unusual or "abroad", nor was the lack of equivalent facilities in so small a place as Windhoek thought to be a surprising or regrettable deficiency. In fact this attitude to South Africa recurs quite often in various contexts.

other hand career moves are apparently much practised by the growing number of non-white junior and middle managers, who are said to be poached and promoted no sooner than they are trained and in post. The enquiry team did not come across any examples first-hand.)

80. The general impression was thus that management experience lacks breadth, and previous management training is patchy both on an individual basis and in companies as a whole. This is not to say that Namibian management is complacent or resistant to change. The enquiry team was indeed impressed by the widespread awareness that change is essential, even if there was little by way of clear notions of what forms change might take.

81. It was stated in several companies that attempts were being made to loosen up the previously rigid systems of vertical authority and to create team spirit, both in the sense of the company as a single team, and in the sense of working teams within a company. At least two companies visited have "mission statements" or equivalent as inspirational objectives for all employees; in another company a meeting of all employees is held every two months or so for discussion of working conditions and problems (but not technical matters, and without any principle of co-determination, even though the company is German-managed). In yet another company the general manager, who knew nothing about the product when appointed, made it his business to learn something of all the jobs in the company (an unintentionally Japanese approach). These various attempts at establishing closer relations between managers and junior employees may have been made as a contribution to the post-independence spirit of reconciliation as for strictly business reasons; for lasting effect they would require a longer-term and deliberate programme of organisational development.

82. On the other hand some companies, such as the automated fish-processing plants and the cement plant, appear to operate the traditional system of authoritarian management, with labour relations, strikes, collective bargaining and all. The management style will be inherent in company or industry culture and will not have been learnt at a management school; but it is perhaps imposed by the technology in use. There may well be no need or desire for change in style or technique in these companies. Some firms will claim competitive pressures, a daily struggle to break even, and when this is truly the case shortage of time and resources inevitably trap them into resistance even to thinking about change.

83. In another company, the management had entirely failed to persuade the workers that theft of stock-in-trade damaged their own interests; and in the same company a machine operator persistently declined to say whether it was set up (by a technician) to his satisfaction. This company might be a paradigm for all the employment relationships which, despite good-will, are paralysed by the historical weight of mutual expectations based on tradition, education, and ultimately skin colour.

4.2 Management training and development: current practice

84. As already stated industrial enterprises are generally well aware that change in working style and practices should at least be investigated

if their competitive position is to be improved, or even their survival assured. They are similarly aware that in-service training of all sorts, including management training, is desirable.

85. In some of the larger firms the requirement for training is recognised to the extent that there is a special budget for it and a specialised department looks after it. Systematic programmes for the development of individuals, balanced with corporate requirements, are in action or in the planning stage. In some cases firms may sponsor, i.e. pay some or all of the fees, middle-level employees' participation in part-time training programmes which the employees themselves have selected. The programmes may be local, for example at the Technikon, or correspondence courses based in South Africa.

86. Companies which are subsidiaries of foreign owners may well have staff development programmes planned, operated and financed by the parent company. Management training, perhaps in-house at corporate headquarters, may in these circumstances be compulsory for Namibian managers.

87. However in some of the smaller and newer companies training does not take place at all except of the most basic sit-by-Nellie sort for operators, and certainly no management training. Even if the necessity is seen in general terms there will be no time or mental space even to think about it. (Attendance by managers of smaller and newer companies at the seminar on Japanese management which is to follow this study will give the lie to this assertion.)

4.3 Foreign influence on management style

88. Management style in Namibia is essentially "western" in that corporate objectives are largely financial and employees are instrumental in achieving profit. The style is strengthened by the inheritance of South African attitudes to ethnic differences and the allied differences in educational standards, but at the same time mitigated by a somewhat patronising sense of responsibility, also inherited from earlier times, for the well-being of employees.

89. Management training, as already noted, practically all takes place in South Africa. South African institutions are well informed about developments in management styles and techniques in other parts of the world, not least Japan, and a number of Japanese, Chinese and European companies have set up production or assembly plants in South Africa. So at least by an indirect process Namibian managers are made generally aware that such developments are taking place. Their information is probably not definite enough to convince them that they too might adopt and benefit from them, and it must be said that their peers in South African enterprises are not likely all to be paragons of advanced and enlightened management.

90. It has already been noted that German influence on management style is not as great as the German origin and current connections of some companies might suggest. Namibian company law does not provide for supervisory boards or for a system of co-determination (Mitbestimmung) and the enquiry team did not form the impression that German-origin firms had a greater sense of social responsibility than other firms.

Even the so-called "dual system" of apprentice training which is to be introduced does not follow the true German model in which apprentices are taken on and paid by enterprises, and the training enterprises deliberately train more apprentices than they will be able to employ, thus feeding the general labour market with skilled workers.

4.4 Major issues

91. A diagnosis that management training is insufficiently coherent or frequent could equally well be made in many, probably most, other countries and Namibia is not by any means a special case. Management training is in any case not productive unless it forms part of organisational and personal performance improvement programmes. It must not be thought that this enquiry team has concluded that manufacturing management in Namibia is incompetent or retrograde, but on the assumption that all enterprises are capable of improvement all the time it can be concluded that awareness of the potential benefits and methods of introduction of organisational change can well be enhanced and that allied systems of management training can and should be strengthened.

92. It should be recalled at this point that manufacturing in Namibia is a small sub-sector and that its prospects are fairly fragile. Although enhancement of management knowledge and skills is certainly desirable the demand for a development programme exclusively for manufacturing would be too small to make it feasible and sustainable. Manufacturing management training could take the lead, but would be greatly strengthened if undertaken in alliance with general management training for other industrial sectors (such as transport and mining) and indeed for non-industrial sectors (such as financial institutions and public utilities) in which similar styles and techniques are applicable to greatly beneficial effect.

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Chapter 5: Management training and development opportunities

5.1 Training institutions

93. University of Namibia. The Faculty of Economics and Management Science of this newly established university offers three-year full-time undergraduate courses leading to **Bachelor of Administration** and **Bachelor of Commerce** degrees. Public Administration is an obligatory major subject for the B.Admin. Industrial Psychology, Management Science are amongst the elective subjects in all three years' curriculum. For the B.Com. Accountancy and Management Science are two of four obligatory subjects for the first year and Industrial Psychology is an elective. In the second and third years the three subjects are all elective. Although the B.Com. degree thus seems to be rather more closely related to the world of industry than the B.Admin. both effectively allow degrees to be obtained which have little to do with industrial management. The yearbook from which this information is obtained refers to "practical work" but there is no explicit mention of attachments to employing organisations.

94. The university also offers Master of Administration and Doctor of Administration degrees. Both are in the specific field of public administration.

95. It is understood that none of these degree courses is being taught during the current academic year (which corresponds with the calendar year), and that the Faculty is not yet fully staffed.

96. Technikon. This institution provides "higher education for the occupational and para-professional manpower needs of the country". (Yearbook 1994). Technikon Namibia was established in 1985 as one component of the Academy, which also incorporated a university and a technical college. The Academy, formed under Act 13 of 1980, has been replaced by the University of Namibia, under the new University of Namibia Act of 1992. The Technikon is currently under the oversight of the university, but is expected to become fully independent once the proposed Polytechnic Act is passed. Meanwhile it is already expected to recover some of its costs from tuition and service fees.

97. Instead of "faculties" the Technikon is divided into "Curriculum Groups", one of which is called **Management and Administration** and another **Accounting and Information Systems**. These come closest to management training for industry but are at a fairly junior operational level. They are mostly intended as pre-employment vocational education for secondary school graduates, but "provisional admission" is given to persons over 23 with at least three years' work experience. Some courses can be followed part-time or by distance methods and can thus be combined with employment.

98. The Curriculum Group **Management and Administration** offers one-year National Certificates in Business Studies, Public Administration, Sales Management (Institute of Marketing Management), and Salesmanship (IMM); a two-year National Higher Certificate in Public Administration; and three-year National Diplomas in Public Administration, Personnel Management, and Commerce.

99. The Curriculum Group **Accounting and Information Systems** offers a one-year National Certificate and a three-year National Diploma in Business Computing and a three-year National Diploma in Accounting.

100. Institute for Management and Leadership Training. This institute was founded in 1983 and fully supported, recurrent costs included, by German aid funds routed through the Hanns-Seidel-Stiftung. Its principal activity was to promote the formation of new small enterprises and to offer "Improve Your Business" courses to existing small enterprises. It was not permitted to recover any costs from clients.

101. German assistance is being tapered off and now comprises core funding only. The IMLT will henceforth charge fees for its courses and other services and will be seeking a more general position in the training and consultancy market, offering services to formal-sector enterprises as well as to its original SME and informal-sector clients. The "target market" is described in the Strategy Plan 1994/95 as potential entrepreneurs, key persons in the informal and formal business sector, key decision makers in the public sector, and key decisions makers in local authorities; and target organisations are business entities (informal/formal), parastatal organisations, and NGOs, especially those engaged in development. The training services in the current prospectus are categorised as **"Start Your Own Business"**, **"Improve Your Business"**, **"Interpersonal Skills"**, **"Managerial Skills"**, **"Specialised Skills"** and **"Computer Skills"**. Except for the five-week Small Enterprise Development Programme the duration of the courses is a matter of days, or sometimes a few hours a week. In addition IMLT offers business surveys and consultations.

102. The "Managerial Skills" courses comprise: **"Basic Management"** (3 days), **"Supervisory Course"** (two weeks), **"Kepner-Tregoe Management"** (5 days), **"Management Accounting"** (4 days, for non-financial managers), **"Management Economics"** (4 days, for business owners, middle and top management), **"Project Management"** (3 days), **"Project Planning"** (2 days at client company), and **"Personnel Management"**, (3 - 5 days).

103. The Kepner-Tregoe Management course aims "to provide managers with a systematic approach to pro-actively manage business operations and to cope with issues in leaner and meaner times." One of the benefits is claimed to be "Ideal base for complementing continuous improvement and quality driven management approaches" and another is "enhances participation and people empowerment by cascading skills to all levels." Further Kepner-Tregoe programmes, in the "Specialised Skills" group of courses, are called **"Kepner-Tregoe Analytical Trouble Shooting"** (4 - 5 days)and **"Kepner-Tregoe Operator Trouble Shooting"** (1 - 2 days). All the K-T courses are franchised and the extent to which IMLT has truly autonomous capability in the subject matter is uncertain, and the enquiry team has not looked at the detailed syllabi behind the fashionable vocabulary. However the K-T courses and the other "Managerial Skills" courses are the closest approach to management training appropriate for industry to be found in Namibia.

104. The changeover at IMLT to the new fee-earning operational mode and the appointment of a new head with the new title of managing director coincided with the departure of a number of professional staff who were

looking for greater job security. It was not appropriate for the enquiry team to go into any detail as to staff capability but it is a reasonable hypothesis that some reinforcement is necessary for the proposed range and level of operations. If this problem, if it is one, can be overcome, IMLT can on the face of it turn out to be a truly useful and fully Namibian source of in-service training and advisory services for industry.

105. It is to be noted that the Managing Director of IMLT, Mr Harald Schmidt, is also a member of the Executive Council of the Windhoek Chamber of Commerce and Industry. However given the regrettably uncertain relationship between this Chamber and the Namibian National Chamber this connection may be less useful than it could be. The connection does incidentally illustrate the smallness of the Windhoek business world.

5.2 Chambers of Commerce and Industry and other intermediate organisations.

106. The **Windhoek Chamber**, mentioned in the previous paragraph, was founded about 70 years ago and has a membership of some 210 companies. (These do not include the mining companies, which have their own Chamber of Mines.) It was of course a primarily white organisation but has amalgamated with a 30-member black association, and the Executive Council is now mixed. Despite this change it appears that non-white members do not play an active role.

107. The **Namibian National Chamber of Commerce and Industry** was formed after national independence in 1990, and was originally intended to be an umbrella organisation of which regional chambers, including the Windhoek Chamber, would be members. So far only one regional chamber is functioning in addition to the Windhoek Chamber, namely the **Northern Regional Chamber**, based in Oshakati. While the Windhoek Chamber is entirely funded by its members the Northern Chamber is assisted by Finnish Church Aid, as mentioned elsewhere. (Finnish missionaries have been working in northern Namibia since the 1870s.)

108. The Windhoek Chamber is supposed to give 30% of its income to the National Chamber but does not do so since the Windhoek Chamber would close as a result. A further cause of difficulty between the National and Windhoek Chambers is that the National Chamber has diluted its role as an umbrella organisation by accepting direct corporate membership, effectively in competition with the Windhoek Chamber. Some 30 companies are said to belong to both Chambers. The National Chamber states that it has a membership of some 900 companies, some 10% of all companies in Namibia. Some 260 of these companies are said to have more than 10 employees, excluding those operating on communal land under "Permission To Occupy". (See paragraph 140 below.) It is not known why such companies should be excluded from the count.

109. The National Chamber has German support and the Frankfurt Chamber is the instrument of cooperation with the German Federal Chamber. Some 80% of the Chamber's costs, including operating costs, are met by German funds. Some particular Chamber activities are funded by other donors: the French finance information services including a well-produced monthly journal, the Ford Foundation funds an "affirmative

action" programme, staff training, including training in Germany, is undertaken by the Frankfurt Chamber and a regional SME development programme is also funded with German assistance. A proposal for structured management training is to be presented to the European Union for possible funding but this has scarcely reached the conceptual stage.

110. The Windhoek Chamber sees the functions of chambers as largely intermediary: dissemination of information on trading opportunities, trade enquiries and legal changes; collation of information as the basis for submissions to government; mediating between foreign and local companies; issue of certificates of origin and carnets; advice to foreign investors; research and information.

111. In addition to such services the National Chamber is actively involved in facilitating or directly providing management and vocational training, and is of course operating the projects mentioned above. The Chamber is in the process of being restructured and its training activities are to be put on an income-generating footing. The enquiry team is not sure that the nature and function of the National Chamber has been fully grasped but rightly or wrongly formed the impression that its activities are rather dispersive and that it is receiving so much external assistance for so many purposes that it has little prospect of achieving a properly independent identity or sustainable independence.

112. Meanwhile the Northern Chamber, although treated seriously and enthusiastically by its executive committee, is still in a fledgling state. It has some 260 members, of whom some two-thirds are retail traders. This reflects the relative under-development of formal enterprises in the northern region[23]: there are too few major enterprises to form a sound basis of collective representation, and although one or two large local enterprises are members their active participation does not go beyond payment of subscriptions. The main activity of the Northern Chamber is at present to operate a Swedish-financed revolving credit for small businesses and to run basic business courses for SMEs, for which purpose they have a staff of two business advisers and an ex-ILO Zimbabwean coordinator. These activities are funded through membership fees and Finnish Church Aid. The Chamber will shortly be moving to premises next door to the Vocational Training Centre at Ongwediva established by Consolidated Diamond Mines Ltd and now operated by the Ministry of Labour and Human Resources Development. The VTC has apparently been offering standard programmes which do not reflect local employment requirements and the Northern Chamber intends to advise on the revision of the whole training programme in the light of local needs, which will henceforth be permitted by the central authorities.

113. The **Namibian Employers Federation** is an umbrella for sectoral

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[23]It should be recalled that although over a third of the population of Namibia lives in the northern region, and despite relatively abundant water resources, the area is too remote, when viewed from the main centres of South African development, to have attracted investment. See also Chapters 1 and 2.

associations with a total membership of some 10 big employers and 200 medium-sized employers (by no means all industrial). It is open to small members but is not yet in a position to provide services specially for them. It is the employers' principal interface with government (mostly the Ministry of Labour and Human Resources Development). As an example, the government has been discussing its forthcoming "affirmative action" legislation with the Employers Federation. In regard to the subject of this study the Employers Federation might promote the concept of management development, especially in the larger local family-owned firms, but should not take an active role in providing it. However activities are still quite low key and only two out of five standing committees are in action. (The President expressed the view that the country had suffered from over-protection by the South African administration, in a kind of "Afrikaner socialist" regime, and it is only slowly that the business community is learning to stand on its own feet.)

114. The principal workers' organisation is the **National Union of Namibian Workers**. The enquiry team was unable to secure an appointment and its functions, and the relationship between these functions and the subject of this study, remain to be explored. It is much to be hoped that workers' organisations will play an active and positive role in any development programme which emerges from this project.

115. The **Institute of Personnel Management** is being revived after a few years' inactivity. It is in contact with the Industrial Relations Department of Warwick University, England, concerning the design of a certificate course, and has established friendly relations with the Institute of Personnel Management in the United Kingdom[24]. If the Namibian institute attracts a sufficient number of active members it could become a useful channel of communication with allied institutions in other countries.

116. The **Board of Trade and Industry** is a new organisation intended to communicate the views of the private sector to the Ministry of Trade and Industry. A Chairman has been appointed but it is too early to know whether the Board will turn out to be a suitable vehicle for the purposes of this project, or indeed whether it will wish to take part in any subsequent development programme, or have the resources to do so.

117. It may be noted under this heading that the National Planning Commission wishes to promote more effective coordination of HRD in Namibia. A consultant's report, financed by the EU, was discussed at a workshop, and the central proposal is the formation of an inter-ministerial committee. The Ministry of Trade and Industry is not one of the ministries to be involved; nor will the private sector be directly represented, although it will be consulted. It is not certain whether this proposal will be acted upon. (The National Planning Commission has not previously, it seems, had its attention drawn to the ILO/UNESCO/UNIDO report on Integrated Human Resources Development in

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[24]The British IPM amalgamated with the Institute of Training and Development on 1st July 1994. The new name is the Institute of Personnel and Development.

Botswana, which has been well received by the Botswana Government and may be useful background reading in Namibia.)

118. There are believed to be a good number of well-informed and competent management consultants in Namibia, but in the absence of any consultants' association it has not been feasible for the enquiry team to ascertain the collective volume, nature and quality of the profession. The formation of some such association, for control of professional practice and ethics as well as for marketing purposes, and indeed as a vehicle for affirmative action, could well serve the interests of consultants themselves - and would of course be useful for the purpose of the management development programme which might succeed this project.

119. There are however twelve firms of Chartered Accountants registered with the Public Accountants' and Auditors' Board, some of which are branches of major international firms. Some of these firms offer management consultancy services. There is also a Namibia Information Technology Association (NITA) which promotes the services of some 60 member companies.

5.3 Training abroad and foreign training in Namibia

120. As mentioned elsewhere in this report South Africa is the main source of management training for Namibia and is not considered to be "abroad", nor are consultants and trainers visiting from South Africa considered to be "foreign". In addition some managers of German origin have been trained, or have acquired management experience, in Germany. During the period before independence, while Namibia was virtually part of South Africa, training of white managers outside the country would in any case have tended to be unacceptable both to managers and to potential host countries. Those with Afrikaans as mother tongue and limited knowledge of English would be restricted to South Africa.

121. An uncertain number of non-white Namibians underwent management training in various countries during years of exile before independence. Some of them are said to have attended reputable institutions and to have correspondingly reputable degrees, in some cases MBAs; while other apparently found themselves at less reliable institutions. Since independence such people, especially those with good qualifications, have quickly been absorbed into government service, rather than industry or commerce, and have indeed achieved high positions.

122. Otherwise little appears to have taken place by way of management training outside Namibia, certainly not for industry, and equally little by way of foreign training in the country.

5.4 The need for reinforcement

123. Demand for management training for manufacturing industry in Namibia is not going to assume a large scale for many years, if ever; but even at the present level of activity there is a gap between the needs of manufacturing companies and the training and advisory services locally

available. The gap is first and foremost in higher-level training in such subjects as strategic planning, production control or organisational development. Training for intermediate levels is not comprehensively available. On the face of it, therefore, local provision should be reinforced so that this gap and others which may be identified are filled.

124. It will be immediately and correctly argued that a full range of management training in Namibia would not be an economic proposition given the small number of potential trainees, or even a desirable one, since training in Namibia obviously reduces exposure to industry in other countries.

125. There is probably a middle position in which careful expansion and enrichment of management training in Namibia would be rewarded by increased interest and demand for it. Furthermore a good number of management subjects are not exclusive to manufacturing and can be applied in other branches of industry and in service companies. (The Japanese techniques which are to be the subject of seminars at the end of this project are to a large extent applicable in all kinds of enterprise.)

126. Successful reinforcement of management training and advisory services would require a nice balance between demand-led innovations and, in recognition that demand is probably not very well informed, incitement of demand by a kind of supply-led information programme.

127. Some of the intermediate organisations mentioned above could play a useful role in the dissemination of information. They may need assistance in doing so, both in terms of their own knowledge and appreciation of developments in management and management training, and in terms of the techniques of dissemination and the necessary resources. Here again great care is necessary in order to avoid dispersion of effort or the creation of all too easily overweight and unsustainable systems.

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Chapter 6: Government and Industry

6.1 Industrial policy and government activity

128. As with other aspects of economic affairs the Namibian government's freedom to formulate and implement industrial policy is constrained by the country's membership of SACU and of the Common Monetary Area. Since the formation of the Namibian central bank and the introduction of the Namibian dollar gradual control over monetary policy is being established.

129. Industrial policy was set out in a **White Paper on Industrial Development** in August 1992. In brief the objectives it contains are (a) to increase MVA, (b) to diversify and integrate the economy, (c) to generate employment and income opportunities and (d) to improve geographical distribution of industry in relation to the present location of raw materials, markets, population and employment demand. This last means, in other words, to try and discourage large-scale migration from the northern region to, say, Windhoek or Walvis Bay, through industrial development in the north itself.

130. The private sector is expected to play the major role, and the government's role is to be one of effective support. The principal areas of government responsibility are: to ensure that government policies are consistent with industrial development, to provide and maintain infrastructure, to provide incentives, and to participate in ownership of industry if this will serve to accelerate development.

131. The **Keynote Issues Paper**, a discussion document prepared by the NPC, the Ministry of Finance and the Bank of Namibia and circulated in October 1993 as a preliminary to the first National Development Plan (NDP1), sets out proposals for government policy. It states specifically that "Government will focus attention on the role of small and medium scale manufacturing enterprises" (page 13). The paper stresses the importance of human resource development from primary education onwards. Under the heading "Social Contract" it goes on to point out the "stable industrial environment created within the framework of the Labour Code", and emphasises the need for realistic wages if investment is to be attracted. "Wage levels in government have a direct effect on the number and quality of people seeking employment in the private sector". A public sector incomes policy would be useful in assuring a correct balance. (It will be recalled that 'general government' accounts for 25% of GDP.)

132. The Keynote Issues Paper goes on to suggest that piecemeal steps to encourage investment should be brought together in a "consistent investment package". Regarding direct public investment "Government will be prepared to channel funds through the [NDC] to particular manufacturing activities where it believes Namibia could develop competitive industries." On the other hand certain government activities could be privatised or commercialised; and "during NDP1 a complete reassessment of licensing and protection of domestic industries and all forms of economic regulation will take place."

133. In regard to manufacturing the Keynote Issues Paper emphasises that

development must be export-oriented. Foreign direct investment cannot be relied upon to develop the sector fully and "considerable attention should be placed on creating an effective lending facility to small and medium sized businesses ... Government also has an important role in identifying new markets, promoting Namibian exports and providing direct assistance to exporters."

134. The first practical step, preceding the White Paper and the Keynote Issues Paper, was the **Foreign Investment Act 1990**. This sets out a number of favourable conditions but has not yet attained the hoped for results. This may be because expectations were too high, at least as regards the speed of reaction and decision by potential foreign investors, but neither the world recession nor the hitherto uncertain situation in South Africa will have encouraged investment flows. The fact is also that however good the fiscal and regulatory conditions set out by government, all the other factors which make Namibian economic development difficult are still there as disincentives.

135. In a further attempt to stimulate industry the government introduced **"Special Incentives for Manufacturing Enterprises"** in April 1993. They comprise taxation and non-taxation incentives. The principal taxation incentive is "a 50 per cent tax abatement on the taxable income derived from manufacturing enterprises for a period of five years, to be phased out on a straight line basis over a subsequent period of 10 years". (The corporate tax rate to which this is applied is at present 38%.) Another incentive of particular interest in relation to this study is "an additional deduction of 25 percent [from taxable income] will be allowed ... in respect of training costs and production wages." In regard to production wages, "as an encouragement to manufacturing enterprises to utilise more labour intensive processes ... if an enterprise has an approved remuneration package of R100,000, R125,000 would be allowed as a deduction from income." In regard to training expenses "the Government believes that efficiency in the manufacturing sector can be increased dramatically by professional training of technical personnel. An additional deduction of 25% from income will be allowed on approved technical training expenses." The other taxation incentives are an establishment or relocation package (new investments only), a special buildings allowance, and tax incentives for export promotion.

136. The non-taxation incentives comprise concessional loans for establishment, expansion or diversification (through the NDC), cash grants/loans for exporters, and industrial studies for sale at 50% of real cost.

137. The government is also removing the tax exemptions of parastatal enterprises as part of the commercialisation programme. The enterprises which have hitherto been directly owned and operated by the NDC (and its predecessor ENOK or FNDC) mostly in the northern region have been placed under a new parastatal company called Amalgamated Commercial Holding Company (AMCOM), and a divestment scheme is now in preparation. The enterprises in question are bakeries (one of which, in Oshakati, was visited by the enquiry team), mechanical workshops, garages and farms.

138. An Export Processing Zone has been established at Arandis, near the

Rössing uranium mine, with the intention of absorbing some of the mine employees who have recently been made redundant; and a Free Trade Zone at Walvis Bay (which, as will be remembered, was incorporated into Namibia on 1st March 1994).

139. On the subject of the regulatory environment the enquiry team was informed on several occasions that this is highly restrictive and inconsistent. The ILO draft Programme for Small Scale and Informal Enterprises in Namibia describes the general position thus:

> " ... a museum for South African laws. Resulting from the constitutional provision to maintain pre-independence laws, many discriminatory, obnoxious and restrictive laws and acts of the apartheid period are still in force. The main obstacle to private business activities ... [is] the long standing tradition of restrictive regulation. The licensing requirements for nearly every economic activity have created a situation where it is assumed that the State must approve or disapprove all economic activities. The time and process involved in meeting the legal, regulatory and administrative requirements by MSE are daunting and the costs prohibitive; consequently most MSEs remain unregistered and therefore informal." ... "Creating an enabling environment will require more than enacting new laws and/or repealing or amending old ones. A change in attitude is required; administrative reform is also needed and above all there is a need to create awareness about the changes taking place. But the change process cuts across government departments resulting in the need for effective cooperation and coordination."

On this last point the ILO report does not however advance the hypothesis that regulatory reform may be resisted by enterprises which have already complied with all the requirements and may see the rules as useful disincentives to competition.

140. The ILO Programme Document contains a thorough examination (in Annex A(1)) of the regulatory question and in Annex A(2) proposes a new Licensing Act to replace the Licenses Consolidation Ordinance 1935 together with the three 1972 licensing acts for Ovamboland, Okavango and Caprivi (the northern region). Key features of the draft law are deregulation, decentralisation, and simplicity and ease of operation. It should be stressed that the ILO Programme is aimed at small scale and informal enterprises, not necessarily in manufacturing, but at least in this respect its impact will presumably extend to the generality of manufacturing enterprises.

141. Other reforms proposed in the ILO programme comprise (a) revision of health, safety and zoning regulations, (b) modification of regulations relating to accommodation establishments and tourism, and new liquor legislation, (c) opening up road goods carriage and passenger services to small scale operators, (d) review and implementation of the law concerning Close Corporations and (e) removal of legal disabilities of women. Here again the measures are related to the general field of the ILO programme, but the deregulation and decentralisation which will be entailed can only have a positive impact on the specifically industrial field of UNIDO's interest.

142. It is mentioned elsewhere in this report that many enterprises in the

former communal areas do not have any entitlement to their sites but operate under "Permission to Occupy" (PTOs). The PTO is a mixture of a land-use contract with permission to use the land for a certain purpose; PTOs are required for the use of land for private and commercial purposes and improvements to the ground become the property of the authority when the PTO lapses. The most serious effect is that land cannot be used as collateral for loans, nor can buildings erected on such land at the expense of entrepreneurs. Even so large a town as Oshakati has yet to be fully "proclaimed", although this event is imminent. At this stage only the boundaries of new municipalities in the communal areas have been proclaimed. The next stage in this procedure is a detailed survey of actual occupation, which has been completed in Oshakati; and then a system must be established by which occupiers can convert their rights to ownership or some form of leasehold. The enquiry team understands that there is no legislated basis for such conversion, or even commonly accepted practice. In effect this is a form of privatisation, and privatisation of real property has turned out to be a highly contentious matter in other countries which have tried to carry it out, but the fact remains that the present system of PTOs is a significant impediment to industrial development.

6.2 Economic and social policies and activities affecting industry

143. The most important social intervention by the government, it needs hardly be said, takes the form of investment in and promotion of primary education. The effects of improvements in primary education, both in quality and volume, take many years to reach the economic life of the country, and meanwhile the government has to take steps to remedy shortcomings in educational attainment with more immediate effect. Resources must be devoted also to adult literacy and to vocational training (in the broad sense). Even in these areas the effects cannot be expected very quickly. In all areas of education and training development of the system depends not only on material resources but also on human resources in the form of teachers and instructors, and in the form of students and trainees (or their parents) who see benefits in taking up education and training opportunities. These benefits are not always obvious and the long view is not always taken even in some industrial countries. Japan is a fairly rare country in according such high importance and esteem to education and training at all levels.

144. The particular piece of social legislation which directly affects industry as well as all other areas of formal employment is the **Labour Act 1992**. This sets out various provisions concerning conditions of employment and labour relations and is intended to bring Namibian legislation into line with a number of ILO Conventions and Recommendations. A labour administration apparatus is created by the Act, in the form of a Labour Commissioner, a Labour Advisory Council, a Labour Court with District Branches and a tripartite Wages Commission. This last institution may designate minimum wages on a

selective basis.[25]

145. The Labour Act is ambitious in relation to the present stage of development in formal employment, but creates the stability and certainty which are attractive features when investment is under consideration. A good deal more worker education and trade union development are necessary if the Act is to be fully and effectively implemented. It is of course one of the themes of the Japanese approach to industrial management that "industrial relations" in the sense of a system for reconciling adversarial interests are replaced by a system in which all members of an enterprise share objectives and agree amongst themselves on conditions and rewards. The success of such a system depends on a high level of general education and specific understanding of enterprise operations. These conditions do not yet exist in Namibia, and in any case, as suggested elsewhere, the cultural disposition may lean more towards employment simply as a source of material reward.

146. Legislation on **affirmative action** is under preparation. By this is meant that preference should be given to the appointment or promotion of non-white persons to formal-sector jobs. It seems probable that the legislation, if enacted at all, will set guidelines and targets rather than impose quotas or similar obligations. Employers may well be obliged to set out policies in writing.

147. Employers may welcome declaratory legislation of this kind. It will create common, known conditions; compliance can enhance their image and improve morale. It may well be preferred by non-white people: as one senior civil servant observed to the enquiry team it is not a comfortable thought that promotion has been gained through affirmative action rather than on merit.

6.3 Current and forthcoming technical assistance

148. As far as the enquiry team has been able to ascertain no technical assistance programmes or projects[26] for formal-sector manufacturing industry are being executed at present. Projects for the development of the fishing industry will have contingent effects on the downstream

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[25]The forthcoming UNIDO review states that "the presently prevailing minimum wage is R3.50 per hour and applies to unskilled labour." This was written in 1993 and the enquiry team was given to understand that the effective minimum in Windhoek is now R4, or N$4, per hour. This is equivalent to US$1.10 per hour and is unattractively high from employers' point of view. It is said that despite the high rate of unemployment in Windhoek wages are not reduced in response and the labour market is not cleared; it appears that the unemployed prefer other, informal means of survival and perhaps to rely on family or community support systems. The enquiry team heard possibly contradictory anecdotes concerning skilled workers' wages in the north, said to be very much lower.

[26]financed from Official Development Assistance (ODA), either on a bilateral or a multilateral basis.

fish-processing industry, and agricultural development projects may have similarly contingent, but more indeterminate, effects on food-processing industries.

149. The economic area receiving most attention from official and non-governmental agencies is, as in many other developing countries, the small-scale or informal sector, which may include manufacturing. This sector is seen as virtually the last or only hope for absorption of the many millions of young people in the world who are entering the labour market - a hope which is as much clung to for want of any perceived alternative as it is based on seriously analyzed genuine economic prospects.

150. The ILO has now formulated a "Programme for Small Scale and Informal Enterprises in Namibia", already referred to earlier in this report; it has been approved in principle by the Ministry of Trade and Industry and the next stage will be detailed formulation of the four components. These four components are (1) institutional strengthening and capacity building, (2) development of a supportive enabling legal and administrative regulatory environment, (3) development of sustainable credit and financing schemes, and (4) introduction and expansion of integrated skills development for MSEs[27]. Chambers of Commerce and Industry are amongst the organisations which may be beneficiaries of the first component and since these may also figure in the programme proposed in this report care will be necessary to assure that assistance is complementary and not excessive. There may be other aspects of possible overlap but since both programmes would be under the wing of the Ministry of Trade and Industry the chances of waste and conflict are minimised.

151. USAID has formulated a "Human Resources Development Assistance Project", the objective of which "will be to help create a class of black Namibian managers in senior positions of authority." Three-quarters of project training funds, understood to amount to US$3 million, will be allocated to the private sector and the remainder "to those [government] offices most related to private enterprise."[28] Individual beneficiaries will be "black Namibian professionals who occupy positions of substantive management responsibility." The principal beneficiary institutions will be "mainstream private businesses; a secondary group will be government offices with direct influence upon private enterprise. Other possible beneficiaries or collaborating partners include training providers and business support organizations." (IMLT, described in the previous chapter, is mentioned in this connection.) Beneficiary companies "must embrace the philosophy of affirmative action and ... must be willing to participate in seminars on organizational transformation to ensure full success ..."

152. USAID's needs assessment selected private businesses from mining, the fishing industry, the financial sector, from retail and wholesale

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[27]In this ILO document MSE stands for micro and small enterprises.

[28]The enquiry team is indebted to USAID for a sight of their draft project document, prepared at the time the UNIDO team was in Namibia.

trade, and from tourism. The assessment did include a few small enterprises and one manufacturing business as variables. Public sector organisations included the major parastatals (which are not in manufacturing). It will thus be seen that this project will have little overlap with any assistance proposed for the manufacturing sector. However there may well be scope for fruitful collaboration, and it will at the very least be desirable for the respective programme managers to exchange information.

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Chapter 7: Prospects for innovation in industrial management

7.1 Japanese style and techniques

153. It is not the intention of this report to duplicate the content of the seminars held in Windhoek in July 1994 as the second phase of this project. However a brief examination of the nature of Japanese style and techniques and the rewards and difficulties of their adoption in a different culture may have some value in indicating possible points for further discussion.

154. The most commonly known Japanese systems, Total Quality Management, also known as Total Quality Control, "Kaizen", or the Continuous Improvement Method, "Just-in-Time", 5S, and other techniques will have been explained in detail by the seminar leaders, together with practical details of implementation and maintenance. The point to be advanced here is that the ready success which such techniques have achieved in Japan is based on the highly communitarian nature of Japanese society. The Japanese preference for defining and acting upon the needs of a group is in direct contrast to the individualism which is preferred and encouraged in "the West", most markedly in the United States and the United Kingdom. It is furthermore significant that the Japanese tend to apply their communitarian approach in their working situations, in fact to view the enterprise which employs them as a community to be preserved and nurtured just as much as, or even more than, other immediate foci of loyalty such as the family or the local community.

155. There is thus an assumption that all employees are equally committed to the enterprise: there is no "us" and "them", and the concept of "labour relations" (between us and them) is redundant. Employment is not merely a source of income, and employees are not simply instruments for the creation of financial profit. Although with this mutually understood cast of mind a high degree of devolution of responsibility[29] is possible and productive, devolution must not be construed as conferring freedom of individual action on Japanese employees; it assumes a ready, unconscious acceptance of a high degree of discipline, subservience to decisions which although consensual are expressed through a rigid and much respected hierarchy, to a degree which many with "western" moral and political assumptions might find distasteful.

156. The distinction between Japan and "the West" is not however absolute. For example the concept of the enterprise as a social organism, if not a community, plays a much greater role in German culture than it does in the United States (where interest and loyalty tend to be focused on the social community). Conversely Japanese people are not inherently and automatically obedient to the group all the time: the spirit of the enterprise needs to be constantly encouraged and nurtured by the skilful and deliberate application of management techniques. These techniques might be thought embarrassing or manipulative in, say,

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[29] or subsidiarity, which entails leaving responsibility where it properly belongs, the reverse of devolution or empowerment, which implies that responsibility is in the gift of more senior persons or institutions.

England, but once again are accepted in Japan as a necessary maintenance procedure for group motivation.

157. The fact is that Japanese management, assisted by equally consensual collaboration between industry and government, has turned Japan into the world's foremost manufacturing power. The question is whether Japanese style and techniques can be applied in an African context, especially the highly particular Namibian context, and bring a higher degree of satisfaction and success to all concerned with African manufacturing. It is of course the starting point of this project that a Japanese-owned and Japanese-managed enterprise in Tanzania has been consistently successful throughout the tribulations of the past two decades; and it is known that Japanese management has scored great successes in the United Kingdom, one of the least likely countries to take kindly to group disciplines[30]. These examples do not however permit general conclusions concerning the transferability of Japanese management.

158. It is generally asserted that traditional systems of African authority entail a high degree of consensus, achieved after lengthy discussion amongst the wide range of those entitled to contribute (which varies from community to community). The consensus may entail the upward concession of more or less absolute authority to a single person or institution. If such consensus is truly and generally the basis for community decision-making it would have the potential to form an equally good basis for cooperative activity in enterprises in which the consensual system is understood and accepted by all employees; and Japanese management would have a good foundation. There are indeed examples of highly successful firms, owned and run by wealthy and autocratic entrepreneurs, much respected by employees and communities, but as a generalisation to which exceptions can no doubt be found, the enterprises are most often in commerce rather than in industrial production, let alone high-technology production.

159. There are however at least three factors which might undermine such a favourable outlook. The first of these is the question whether a tendency towards consensus could survive the pressures imposed by technology and commercial demand, especially in regard to precision, both in weights and measures and in time. For the purpose of successful manufacturing, consensus must go hand-in-hand with a high regard for the disciplines required for the product and service quality demanded by customers.

160. The second factor is that enterprises tend to be culturally mixed, and not only mixed but stratified. As a crude and by no means universal model, managers are white, clerks are coloured and the main workforce is black. Despite their best intentions attitudes and interactions between these groups are rooted in past expectations and social procedures; under the pressure of day-to-day operations new relationships have little chance of taking root and becoming the normal

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[30]It has been suggested that workers at the Nissan car plant in north-east England were not truly committed to Japanese methods but were motivated to accept them by the high rate of unemployment in the area. The Nissan plant is highly successful whatever the underlying attitudes of its employees.

basis of behaviour. "Labour relations", a concept in which differences between groups are implied, are also imbued with the same kind of behavioural expectations, and it may take even more time and patience, perhaps the passage of generations, before the old adversarial systems are replaced. Similarly, old attitudes, be they suspicions or loyalties, readily surface amongst various sub-groups in an enterprise, Ovambo or Herero, Afrikaner or German, when difficulties arise; and group identity is as always reinforced by language differences. The Japanese in Japan, in contrast, are virtually homogeneous.

161. The third factor is that Africans, at least those not rooted in or much affected by non-African cultures, might not see a manufacturing enterprise as any sort of community, or corporation with a life of its own, which commands loyalty in the same way as a social community, or in fact the autocratic sole-owner of a business, to whom loyalty and respect may be given personally. (Little or no research appears to have been undertaken on this point.[31])

162. Japanese systems will presumably have to be adapted to take account of the high rate of illiteracy amongst adult Namibians, and very low educational standards amongst many who are basically literate in one language or another. (The usefulness of literacy in a language other than an enterprise's working language is debatable.) As is well known the Japanese are in general terms very well educated, especially in such fundamental subjects as their own language and mathematics. This level of education gives Japanese factory workers the ability to understand the principles and implications of particular management systems, and to contribute articulately to their implementation.

163. Examples of Japanese systems are very often taken from the car industry. Nothing of such size or complexity is of course to be found in Namibia. It remains to be discussed and seen whether Japanese management techniques, or parts of them, are easier to introduce and operate, or on the other hand simply inapplicable, in relatively small Namibian firms with correspondingly narrower scope for change and development.

164. These questions are by no means fatal to the cause of Japanese management style and systems in Namibia, and it is particularly important that they should not be. The country will not be immune to the changes taking place elsewhere in the nature of work and of employment, and for its own social and economic benefit should study,

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[31]Kiggundu, in **"Managing Organizations in Developing Countries"** (1989), has a short section on 'Motivational Crises in Developing Countries' (pp 168-172) and cites a study of Kenyan organizations by Blunt (1983) and a study of 341 Zambian employees by Machungwa and Schmitt (1983). But he rightly concludes: "Motivation is not caused by a single factor but is the result of complex psychological, sociocultural, economic, political and organizational processes. Research is needed to study the complex causes of these motivational problems..." A publication entitled **"Work Motivation: Models for Developing Countries"**, edited by Rabindra N. Kanungo and Manuel Mendonca of McGill University, was published by Sage (London) in May 1994. Given the importance of sociocultural differences in this area the concept of "developing countries" as a unified group seems even less useful than usual.

adapt and implement changes in these areas, indeed leading the field when the opportunity arises[32]. Specific aspects are already in use even if they are not recognised as particularly Japanese, and at least one firm has a full-blown Total Quality Management system in the early stages of operation. Furthermore many managers are well aware that innovative systems exist and could make their enterprises more productive if they could only find the time to study them and introduce them. The ground has in fact been broken, and even in the relatively limited conditions of Namibian industry looks as though it may well be fertile.

7.2 Integrated human resources development

165. Integrated HRD is a concept elaborated in different parts of the United Nations system. It is still uncertainly and variously defined, but in its essence it has a close connection with Japanese management systems, or certain aspects of them. This essence lies in the relationship between the acquisition of knowledge and skills and the application of knowledge and skills. That this relationship should be close seems obvious enough once stated, but this is a principle as often disregarded as it is observed: by educational and training institutions which turn out graduates well educated and trained in subjects and skills for which the labour market has no foreseeable use; and by employers who throw new employees into the deep end without a shadow of induction or instruction.

166. The definitions given to integrated HRD by UN organisations generally have a national focus, but they are also applicable, or at least adaptable, in enterprises or organisations, especially the definition adopted by UNIDO.

167. The UNIDO definition is as follows:

> **Industrial HRD is a dynamic process providing and sustaining opportunities for women and men in accordance with their aspirations and talents to acquire knowledge, skills, attitudes and know-how, and to apply them in favourable and equitable conditions of employment or self-employment to accelerate industrialisation for the economic and social benefit of themselves and their community/country.**

The objective of UNIDO being to promote industrialisation this definition lays emphasis on industry. Towards the end, however, it widens beyond the immediate scope of employment or self-employment in industry and notes the requirement for social, as well as economic, benefit, which should accrue not only to the "women and men" themselves but to their community and wider society.

168. This widening brings the concept into alliance, if not congruence, with

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[32]See **"On Business and Work"** by Joe Thurman et al., ILO Geneva, 1993

the "hexagon contract" described by Charles Handy[33]. The hexagon contract is between the firm and its six stakeholders or interest groups, these being the people or organisations which have an immediate interest in the survival and prosperity of the firm: investors, employees, customers, suppliers, the local community, and society at large. (As will be seen, these six contractual partners are borrowed for the objective of the programme proposal at Annex 5 of this report.) The implication of a hexagon contract is that no one party becomes the sole or pre-eminent focus of an enterprise's objectives or activities; emphasis on financial return, "the bottom line", should be balanced with due consideration of the other five interests. Similarly it is no good emphasising social responsibility if "the bottom line" cannot support it.

169. The UNIDO definition is in fact derived from a definition worked out by the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) and embodied in the Jakarta Declaration of 1988 and adopted by ESCAP member governments as background policy. In the ESCAP concept human resources development should be approached by way of three themes: employment and manpower development; science and technology; and the quality of life. These are analyzed a good deal further in the Jakarta Declaration, and interested readers should refer to the Declaration itself for details. The main point is that policies which start in any one of the three thematic areas should always take account of the implications in the other two areas. Once again this sounds obvious enough once stated, but it is not hard to find specific examples of policy formed - and implemented - in what might be called a thematic vacuum. Not only government policy, but industry and enterprise policy as well.

170. It may be asked: why is this policy coordination, desirable as it may be, put under the heading of human resources development ? The objective of doing so is primarily to emphasise the centrality of human beings and their well-being in all the efforts of governments and other decision-making bodies, be they supra-national (the UN itself and its agencies) or public services, financial institutions and productive enterprises which may operate in one country or several. It can, and perhaps should, be argued that "human resources" is an unsuitable term which implies that humans are instrumental in someone else's designs, simply "resources", whereas they are in fact not only resources but also, and primarily, beneficiaries; and that "HRD" is just as unsuitable a term for a grand human-centred design such as "integrated HRD", since HRD is traditionally identified with <u>training</u> by itself, and that is indeed the more natural meaning of the term. However for the time being at least integrated HRD is the best term we have.

171. Meanwhile the United Nations Economic Commission for Africa has set out its own definition for Human Resources Development <u>and Utilisation</u>, thus going some way to meeting objections to the simple term "HRD". ECA starts from the usual central premise of acquisition and application of knowledge and skills, and sees HRD as embracing education, training, employment promotion, and fourthly health and nutrition. This last

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[33] **The Empty Raincoat**, London, Hutchinson, 1994. Chapter 8, "The Corporate Contract".

heading is divided into (i) primary health care, (ii) child survival programmes and (iii) environmental programmes particularly to improve the quality of social services such as health, housing and transportation. These are in fact more detailed components of the "quality of life" theme in the ESCAP component.

172. Lastly the UNDP has developed and is promoting a definition of HRD specifically directed at the promotion of employment and self-employment. Once again acquisition and application of skills and knowledge is the heart of the matter. Two quite different components are bolted on to it. One is access to assets, and the other is a favourable operational environment. The assets to which access is needed may be land or capital or both, but they may comprise simply a toolkit or a bicycle, or perhaps somewhere to live; the operational environment may comprise the civil peace and the absence of threatening criminality which most of us take for granted, and a fair and certain regulatory system, often called "a level playing field". (This UNDP definition has a special resonance in Namibia in the situation that businesses cannot borrow against land which they only have "permission to occupy", and are apparently hedged about by uncertain and sometimes incompatible regulations. The government is of course addressing both these areas of difficulty. It need hardly be added that Namibia is a country which enjoys quite remarkable civil peace and absence of criminality.)

173. The fundamental implication of the UNIDO definition of integrated HRD for an industrial enterprise is that the employee is not to be viewed simply as an instrument, not even as an instrument to be motivated, or cajoled, by various forms of carrot such as free meals, maternity leave and the company logo on the overalls. Employees are rather partners who share the objectives of the enterprise, and for their part recognise the interests of the other stakeholders, including the investors; and all concerned work to release their full potential. It is here that the principles of integrated HRD, the hexagon contract and Japanese management style start to converge, even if they do not exactly meet.

174. Is it possible, however, to put these grand ideas into operation without going broke ? Do they point the way to manual after manual of staff rights (and precious few staff obligations), or even to "You pretend to work, and we pretend to pay you ?" Is it all a lot of mealy-mouthed nonsense in a hard world where we just want to get the job done for the day and go home with a pay packet ?

175. One hypothesis is that only large and wealthy firms have the financial and managerial resources for safe and glossy conditions of work, career paths, and such like; similarly that the smaller firm and its managers simply haven't got time even to think about integrated HRD, hexagonal or any other shaped social contracts. Just possibly they might be prepared to look at certain highly practical and immediately usable techniques from Japan. That would be certainly be a good start, and might be a way into more deliberate consideration of what an enterprise can afford - or of the change and development it can afford not to implement.

176. Certainly operational checklists for integrated HRD have yet to emerge from UNIDO or any other agency, although it would not be hard to

develop some sort of matrix or algorithm which assists decision makers to track the effects of changes, be they for example of technology, scale, location or such details as hours of work. Meanwhile Japanese industry, so it seems, is a long way down the road to treating their employees as partners, as well as their suppliers and customers, and profitably so for all concerned. (Or perhaps almost all concerned. Japan comes almost at the top of the international list with its UNDP Human Development Index of 0.929, a composite measure of income, educational attainment and life expectancy[34], but public perception of conditions of life in Japan outside the enterprise is not so favourable, for instance in terms of housing conditions, family stress, and the necessity for long and uncomfortable journeys to and from work.)

177. It can be added that a mutually agreed and understood concept of integrated HRD might contribute to or serve as common and uncontentious ground for understanding between manufacturing industry on the one hand and the public authorities, regulatory or supportive, on the other hand; and between one government department and another when their respective interests overlap or are even competitive.

7.3. Channels of communication

178. The first step in innovation must be to attract the attention of busy, sometimes harassed and sometimes sceptical managers, and to persuade them to devote just enough time and attention to the nature and potential of innovative management to open up the possibility of further study and possible action. This project is itself an attempt to attract attention in this way, and perhaps it will succeed in this objective, but like horses managers cannot be made to drink, and it is certainly not the intention of the project sponsors even to insist that it would be good for them to do so.

179. What are needed, on the hopeful supposition that some at least will wish to follow up the subject of Japanese management, are effective channels of interactive communication through which managers can find out more about it all, perhaps at first in their few spare moments, and later in a more deliberate and planned way. There must in the end be a mechanism which is sustainable through its own resources, and sustained because the users actually use it, not because some well-wisher thinks it a good idea.

180. One first, more or less casual method of acquiring information, might be by leafing through a periodical and glancing at an article on one or other Japanese management technique, or on some other management topic for that matter. This would have to be a periodical which our target manager receives anyway, not one which he has to subscribe for specially. The monthly journal of the Chamber of Commerce and Industry comes to mind as a possibility medium, but there may be other printed

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[34] **Human Development Report 1994**. A perfect HDI would be 1.00. In the 1993 Report Japan came top, but calculation of the index has been refined, and this year Japan comes third to Canada (0.932) and Switzerland (0.931). Perhaps surprisingly both these countries do better than Japan in educational attainment.

publications or other media. Do managers watch television ? Would they watch a half-hour management programme ?

181. Those who want to take the matter further would next want to talk to an expert of some sort. The natural place to look for one would be in a consultancy firm or a management training institution. These should be the reservoirs of generic knowledge both of the styles and techniques themselves and of the procedures for introduction. They might be expected to build up their expertise in these areas once they see good market opportunities, just as manufacturers build up their products and production capacity (and it might be added that the knowledge-based enterprise is often marked out as the most likely source of growth).

182. Meanwhile the process could be given a kick-start, if the demand is there amongst industrial managers, with the help of external resources, both material and organisational. The requirement is to make it possible to acquire greater knowledge and to see with one's own eyes what a factory looks like and how it feels and how it is operated when it makes use of innovative management techniques, Japanese or otherwise. Some Namibian managers get about the world, but usually for different purposes, and it can probably be said that a good many would welcome an opportunity to forge closer professional connections with the big industrial world.

183. For many Namibian managers the Republic of South Africa represents the big industrial world and they already have close professional connections with the high-class industries and institutions to be found there, considering themselves in effect part of the South African world. South African industry is of course the regional leader and if its management style and techniques are considered sufficient examples for Namibian industry and if the universities and other institutions and the consultancies are thought to be sufficiently comprehensive sources of information to make wider experience superfluous, then so be it. However South African industry is reported to be relatively inefficient, its general viability enhanced by high protective tariffs[35], and it may also be thought unwise, both practically and psychologically, for Namibia to rely exclusively on a single source of wisdom, with which it has an almost parental relationship.

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[35]ODI (London) Briefing Paper 1994 (2) April: **Economic Policies in the New South Africa.**

Chapter 8: Conclusions

184. Namibian manufacturing industry contributes a small proportion of the country's Gross Domestic Product, which is already small as a proportion of African product, let alone world product. Given the well-rehearsed factors which inhibit expansion - small domestic market, lack of raw materials, long transport links, high-wage labour with no special skills, well-developed large-scale competitive manufacturing in South Africa - it would be idle to claim that there is vast untapped potential for manufacturing expansion.

185. Within the Namibian context, however, areas of potential growth are certainly open for investigation. Some of these are being explored already, energetically and imaginatively. The growth may take the form of increased production of existing products, or of production of expanded ranges or of entirely new products. In various ways domestic resources are under-exploited. The market will grow by way of increased domestic demand and through export markets, and this latter respect the completion of the Trans-Caprivi and Kalahari Highways will bring the markets closer. It will become more important for manufacturers to view Southern Africa as a single "domestic" market and South Africa itself to be viewed more as a market than a manufacturing leviathan.

186. Namibian products are not of course in a position to compete directly with routine, mature products made on a large scale in other countries, even if some of these countries are much further away than South Africa, for example China. Namibian advantage can only arise through a high degree of specialisation and high quality of design, production and service. The implication is that products will have high value and that in turn implies that transport costs to world markets diminish in relative significance. The volume of Namibian products, even if greatly expanded in Namibian terms, will remain insignificant and unthreatening on the world stage and, if they find markets at all, will be absorbed without difficulty. Certain specialised low-value products may also find markets: these would be based on such low input costs that the selling price still yields a profit.

187. Increased manufacturing production is unlikely to result in proportionate increase in direct employment. This is because in the first place existing plant capacity is underutilised and can absorb production increases with little or no increase in employment; and secondly the machinery required for high quality production does not generally require a high number of operators. This is not of course always the case: in Namibia a number of high-class hand-crafted products are already made, leather garments, jewellery, decorative artefacts for example, and these will rely on labour-intensity for the differentiating quality which will make them saleable.

188. Even if direct employment effects of increased production are low, an increase in sales, domestic and export, will have secondary employment effects arising from the general increase in economic activity and from the services needed to support growing and innovating industry. The point here is that industrial development is worth pursuit even if the employment effect is relatively low. In fact it is most unlikely that in any country unemployment is going to be much reduced by increases in

industrial production, except by such special measures as job-sharing and part-time working. Namibia too will find it necessary to look at job design, work organisation and career design.

189. The generally low incidence of literacy and the small size of the present pool of skilled and knowledgeable individuals, many of whom might well be disinclined to work in industry anyway, are a further restraint on industrial development. This will take many years to overcome and without question the priority for government and people in Namibia is to raise the general level of educational attainment as quickly as may be. Meanwhile existing human resources include a good and growing number of highly competent, forward-looking, well-informed and well-travelled persons, not least in industrial management. There is already a solid base for progress.

190. While the base of managerial knowledge and skill is of good quality and adequately informed for immediate purposes scope certainly remains for reinforcing knowledge of new industrial management practices, and helping Namibian managers to look a little further into the future. It will naturally be those who are already best informed and forward-looking who are most likely to welcome opportunities for this kind of reinforcement.

191. Individual enterprises are not generally large enough in Namibia to sustain a full range of modern management expertise, any more than they all maintain their own maintenance teams. The expertise should be located in management schools or consultancies from which information, training and advisory services can be bought in. For organisational development there is much value in having external consultants to design and plan change, detached as they are from the daily fray and from internal tensions. It is anyway in line with the trend that an organisation contracts out more and more of its non-core activities.

192. Management training institutions in Namibia are not at present in a position to provide the kind of top-level training in organisational development, work organisation and job design and production management, nor the advisory services in these areas, which are necessary if innovative management styles and techniques are to be brought in. As regards consultancy firms high-level up-to-date advice can no doubt be called upon by the big international accountancy firms which have offices in Namibia and consultancy arms in other countries. Valuable as such sources of advice can be, complementary resident expertise, with all its local knowledge, is indispensable. Resident expertise should in any case be capable for the most part of independent activity without reliance on external support. Although consultancy capacity in Namibia is growing resident expertise of this sort does not yet appear to exist.

193. It is more than possible that the population of consultants and management teachers in Namibia will itself be too small to be able to provide and sustain a full information, training and advisory service to industry (which will not be its only client). A small group of consultants quickly runs into problems of conflict of interest, and its collective fee income may be insufficient for its own internal training and development. Namibian management trainers and consultants will continue to benefit from more or less formal links with institutions

and individuals in other countries, not least, but not exclusively, South Africa. Through these links additional resources and a continuous supply of information can be provided. This continuous supply of information is in fact essential to keep the profession fully informed.

194. For effective use to be made of management training and consultancy services their clients, that is industrial managers, must be adequately informed about the services offered and aware of their potential benefits. When the demand is created or articulated in a more coherent way the services can be designed and provided with greater precision and with consequent saving in time and resources. Market mechanisms should be able to assure that supply does in fact respond to demand, all the more quickly and efficiently when the demand is clearly expressed, but it might be possible for the process to be accelerated and facilitated. The institutions which might undertake such a role are the government, if it accepts such an enabling function and if its activities are perceived by industry as competent and benign; and collective industrial organisations such as Chambers of Commerce and Industry, Employers' Associations, trade unions, and professional associations such as the Institute of Personnel Management. The function of these organisations, and of the government, will be to provide a steady, not necessarily voluminous, supply of information, perhaps through periodicals, or through occasional meetings and seminars. It will be a further useful function of the government to set out well-defined requirements for international technical cooperation and to seek assistance from donors and lenders.

195. We thus have a situation in Namibia in which there is both the necessity and the scope for building up management expertise and simultaneously building up resident capacity for management training and consultancy services. Proposals for this kind of reinforcement seem likely to be welcomed.

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Chapter 9: Recommendations

196. The Government of Namibia, in collaboration with manufacturing industry, may wish to promote a medium-term management development programme. A tentative draft for such a programme is attached as Annex 5 of this report but it should be emphasised that this draft is no more than the starting point for discussion. The central objective of the programme is to build up the capacity of Namibian industry and supporting institutions to meet their own needs in management training and development and to keep informed of theory and practice in management elsewhere. The programme is directed to management in medium-sized and larger enterprises.

197. The programme as proposed is divided into components and elements all directed towards achievement of the objective. Although plenty of scope has deliberately been left for detailed changes in content and methodology it is recommended that the objective is kept consistently in mind and that activities which are not relevant to the objective should not be included. In this way the coherence of the programme will be preserved.

198. The first component is intended to give direct and immediate reinforcement to the knowledge and awareness of industrial managers by means of study-tours to other countries and seminars held in Namibia over a period of about a year. The high cost of study-tours will necessarily limit total numbers, but it is the intention that participants will bring back and disseminate new information and appreciation of innovative management. One way of doing so will be to take part actively in the programme of seminars. The subjects of the study-tours are by no means fixed: it may for example be thought desirable to make them more generic, rather than branch-specific. Nor are host countries mentioned at all at this early stage.

199. It should be noted at this point that USAID is initiating a management training programme for selected non-white participants in selected organisations, by no means all manufacturing industry, with complementary "organisational transformation" schemes intended to assure that trainees' newly acquired knowledge and skills are put to use in appropriate positions. To the extent that manufacturing managers and enterprises are involved the government may wish to ensure close collaboration between USAID and the executing agency of the proposed programme (or of any other contemporaneous management training programme).

200. The second component is the core of the programme and is intended to create or reinforce sustainable capacity in Namibian management training and consultancy organisations, and in such supporting organisations as will have a constructive and continuing role to play in maintaining high standards in manufacturing industry. Specific beneficiary organisations are not mentioned. They should in all likelihood include the Faculty of Economics and Management Science of the University of Namibia, the Technikon or its successor Polytechnic, and the Institute for Management Leadership and Training.

201. It would be desirable if Chambers of Commerce and Industry were to take

part, but at present the Namibian National Chamber is the beneficiary of a good volume of external assistance and it might not be wise for it to take on further obligations. Furthermore the respective roles of the NNCCI and the Windhoek Chamber appear to need clarification. The Northern Chamber, and other Chambers if successfully hatched, may possibly benefit from taking part in certain aspects of the programme. Since the intention is that, for our purposes, the Chambers are intended to act as channels of information to medium-sized and larger manufacturing industry, they will have a limited role until such industry is further developed in their areas. However one or two well-informed members of a Chamber could have a highly favourable effect on potential investors.

202. The renascent Namibian Institute of Personnel Management may have a good reason to participate in the proposed programme, but it should be recalled that its members are likely to be practising managers, who, if in manufacturing industry, would have direct access to the programme through their enterprises and would be unlikely to be able to participate on the strength of IPM membership. It should not be excluded that a non-manufacturing member of the IPM could take part in one or other aspect of the programme.

203. The programme should be under national execution. Final control, and financial responsibility, should lie with the government. The government will no doubt wish to enlist the collaboration of the direct beneficiaries in designing and planning the details of the programme, and it will be of course be open to the government to request preparatory technical assistance, especially with the documentation required by potential funding agencies. Similarly the government may wish to engage one or more external agencies to implement all or parts of the programme. It will be highly desirable if the government appoints a National Programme Manager of high standing and with effective institutional support. The functions of the National Programme Manager can be filled on a half-time basis although full-time support will be required in the early stages. Once the programme is running the work-load will decrease.

204. The government, in collaboration with manufacturing industry, may wish to investigate the need for building up capacity in generic fields which while not managerial are nonetheless important for the development of successful enterprises. One field might be industrial design; another might be export marketing; yet another might be technology assessment and acquisition. The capacity to be built up might be in training or in consultancy - or, if export marketing were selected for build-up, in government service as well.

205. The government may also wish to promote research into the most effective form of industrial organisation and job design in Namibia's particular circumstances. Such research would take account of the attitudes and assumptions of the Namibian people in all its variety, the geographical nature and location of the country, and forthcoming developments in technology, not least in computing and telecommunications. Research in this field would have the practical objective of contributing to innovative solutions to the question of how a rapidly growing population is to be occupied in the coming years.

Annex 1

Data on Namibia

Source

Area: 824,000 sq.kms. — HDR[36]

Brazil:	8,510,000
Zaire:	2,350,000
Angola:	1,250,000
South Africa:	1,220,000
Tanzania:	945,000
Botswana:	582,000
Japan:	378,000
Austria:	84,000

Population density (persons per sq. km., 1992): 2 — HDR

Mongolia	1
Australia, Botswana, Mauritania	2
Canada, Iceland, Libya, Surinam	3

Distances from Windhoek by road (kms): — Dept of Transport

Johannesburg	1971
Walvis Bay (main port)	390
Oshikango (Angolan frontier)	733
Lüderitz (southern coast)	816
Karasburg (south central)	690

Lüderitz to Oshikango	1549
Karasburg to Oshikango	1423

Arable land: 0.8% of land area — HDR
Forest cover: 22% of land area
Deforestation 0.2% annually (1981-85)

[36]Human Development Report 1994, UNDP

Population (estimate for mid-1994): Govt.

Total 1,535,420

Selected districts:

			Annual growth rate
Caprivi	80,802	(5.26% of total)	4.79%
Kavango	147,866	(9.63%)	3.05%
Oshakati/ Ondangwa	671,571	(43.70%)	3.08%

(These three districts lie along the northern frontier)

Windhoek	179,269	(11.68%)	3.76%

(These four districts thus account for over two-thirds of the population. There are 22 other districts. The figures do not include the population of Walvis Bay, which formally became part of Namibia on 1st March 1994.)

Main towns (1991 estimates): EIU[37]

Windhoek	150,000
Ondangwa	50,000
Oshakati	40,000
Walvis Bay	30,000
Swakopmund	28,000
Rehoboth	25,000
Rundu	20,000

The total population of these seven towns amounts to about 25% of the population of Namibia.

Employment (1991-92): HDR

Labour force as % of population	29
Women as % of labour force	24
% of labour force in agriculture	43
industry	22
services	35

[37]Economist Intelligence Unit

Gross Domestic Product

US$2 billion (1991) HDR

of which:
agriculture 10%
industry 28%
services 62%

Consumption of GDP:
private 64%
government 27%
savings 9%

Gross domestic investment 14% of GDP

Manufacturing N$227 million (4.2% of GDP) (1991) EIU
Fish processing N$103 million (1.9% of GDP) (1991)

Forecast growth rate for 1994: 4% EIU

Gross National Product

US$2.2 billion (1991) HDR

Annual growth rate 1980-91: 1.6%
Annual decline of GNP per head 1980-91: 1.2%

GNP per head (1991): $1520

Public expenditure on education as
% of GNP (1990) 4.7
and on health 5.0

Other EIU forecasts for 1994

Consumer price inflation 8.0%

Exports FOB US$1,350 million

of which:	diamonds	US$445 m. (33.0%)
	minerals*	290 m. (21.5%)
	fish**	330 m. (24.4%)
	meat products	110 m. (8.1%)

*including uranium
**unprocessed, semi-processed and canned

Aid

US$ 140 million (1992)
6.2% of GNP
US$ 91 per head

Human Development Index

Components: Life expectancy at birth (1992) 58.0 years
Adult literacy rate (1992) est. 40.0%
Mean years of schooling (1992) 1.7
Real GDP per head (1991) PPP$ 2,381

(PPP = purchasing power parity)

Human development index (max. 1.0): 0.425

HDI rank: 127 out of 173 countries

GNP per head rank minus HDI rank: -43

Other countries GNP per head rank minus HDI rank

China	+49
Colombia	+41
Sri Lanka	+38
Costa Rica	+36
Lithuania	+35
Viet Nam	+34
Mozambique	+14
Austria	+ 2
Japan	0
Botswana	-29
South Africa	-33
Angola	-35
UAE	-52
Gabon	-72

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Annex 2

Profiles of enterprises visited by the enquiry team

Namibia Engineering Corporation (Pty.) Ltd., founded in 1960, is now wholly owned by one of the founders, Herr Brückner, three of whose sons work in the company, one of whom, Nikko Brückner, has recently returned from two years with Siemens Solar in Munich. It is divided into three business units, NEC Stahl (qv. below), Engineering Sales and Service, and Namibia Armature Rewinding Co. Engineering Sales and Service comprises five sections: power products, pumping, alternative energy, process control, and contracting. Cooperation and interchange of personnel between sections take place according to specific engagements. Principally they import machines and components and make them up into sets according to customers' needs. The government and mining houses are major customers, and the government gives points for local content when assessing tenders, but the company faces daily competition from South Africa. Total employees c. 180, of whom none are without education and training. All senior managers have engineering qualifications and knowledge of technology is kept up to date by suppliers. There is seen to be business potential in the region, especially for innovative know-how, e.g. in alternative energy. All managers (some of whom are non-white) attend short management courses from time to time, in Namibia or elsewhere, as programmed by the personnel officer. The need for a more open management style is recognised and there is now closer contact between managers and technicians. NEC is a member of both the Windhoek and the National Chambers of Commerce and Industry.

NEC Stahl is a wholly owned business unit of Namibia Engineering Corporation (qv) and is managed by Frau Schmidt, an engineer, who is also responsible for Namibia Armature Rewinding at Swakopmund. The main factory is at Okahandja and has a workforce of about 60 making roof sheeting (pressed from imported sheet roils), prefabricated buildings with welded frames, coal-fired donkey boilers for farms, hand operated brick-making equipment, and village bread ovens. Special components for steel structures, such as roof trusses for large buildings, are also manufactured on contract. A second workshop at Rössing fills special orders for the uranium mine. With the exception of a few exports to Angola customers are domestic. Given the small market and low level of technology few opportunities for export development are seen. Raw material comes from South Africa by train; machinery is mostly European and non-advanced. Skill training is done in-house, and trainees from the Windhoek VTC have been taken on for practical training, but that system is no longer in operation. There is no welding school or certification in Namibia and so welders undergo their annual tests in South Africa on under the supervision of South African examiners. The Works Manager has a South African technician qualification. Under him there are foremen, who supervise (non-white) chargehands, who supervise operators. Frau Schmidt herself has attended courses on financial management and workshops on quality control and similar subjects. There is some in-house training in supervision, quality control, etc. (Frau Schmidt feels that the open one-day or two-day courses run in Windhoek are not rigorous enough.) NEC Stahl is a member of the local Chamber of Commerce, which makes representations to the municipality, and is trying to offer some training to members on such subjects as taxes; but Frau Schmidt has little time to participate. Like some other managers in Okahandja she commutes daily from Windhoek, some 75 kms or 40 minutes away, and is disinclined to attend evening meetings.

Meatco was founded in 1985 to stabilise the meat industry and promote exports. It has no equity and is controlled by producers, except that two out of nine directors are appointed by the government; it is exempt from taxes. Its principal activity is slaughtering and deboning cattle (and some smaller animals), vacuum-packing or freezing the meat, almost all for South Africa or export markets. Meatco also operates a tannery. Meat processing, in the form of canned corned beef production, accounts for only N$25 million out of total turnover of about N$360 million. The corned beef has about 30% of the South African market but is too expensive for the European market, and the plant is operating at about 40% capacity. They are now looking into processing more expensive products such as ox tongues, also for the export market. Nine factory or area managers report to the Managing Director and there are group managers for marketing, sales, financial control, and livestock. All have had some management training in the last ten years, in the form of short courses in business schools or through visiting teachers. Some have MBAs. All of this management group are white; the principal difficulty in training non-whites is that they are immediately poached, but the forthcoming affirmative action programme will help to remedy this. Training for the meat industry is done by its own personnel or by the suppliers of equipment. Meatco has no personnel or training manager: margins are too low for such services and HRD is decentralised to factory managers. The Managing Director is however proposing to establish a training fund. Similarly there is no research and development department. Deregulation of the South African meat industry and the GATT agreements are expected to put further pressure on Meatco. The company is a member of the Windhoek Chamber of Commerce but the management has no time to become involved.

Namibia Breweries Ltd. (NBL) was founded in 1912 and is part of the family concern Ohlhaver and List, the families now being Namibian. Beer is brewed in Windhoek, as well as at the Hansa brewery in Swakopmund, from German materials in accordance with the Reinheitsgebot. The company also bottles soft drinks under licence, for example Pepsi Cola. About 70% of production capacity is in use. Almost all sales are in Namibia but small amounts of beer are sold in South Africa and Angola. With 650 employees NBL is one of the largest manufacturing employers; of these some 450 work for the main NBL brewery and at regional depots. Under the managing director there are four divisions. Under the divisional managers there are some 17 department managers (some non-white), 20 section heads and (mostly in production) 30 first-line supervisors immediately in charge of operators. The company's "affirmative action" is in line with government policy but needs to be put in writing. There is no structured training and development system although it is being built up. Top management relies on experience rather than training; some managers have attended short courses. The company takes on management trainees, and the non-whites, especially if black, are liable to be poached. Some managers attended courses in South Africa and the training formerly offered by Rössing Mine was extensively used in the past. There is in fact a growing pool of qualified and capable non-white management expertise. Training facilities in Namibia are limited and there is a need for recognised and accredited institutions in order to lessen dependence on South Africa. Close ties with Germany still exist; most of the R & D is done there. **Meanwhile it should be noted that NBL introduced a Total Quality Management programme earlier in 1994.** There is a growing understanding of quality and customers are more demanding. NBL is a member of the Windhoek Chamber of Commerce and Industry.

AGRA Cooperative Ltd., formed in 1980, is an agricultural cooperative with 25 branches countrywide providing purchasing and marketing services for its 5600 members, i.e. most of the commercial farmers in Namibia. The industrial division had a turnover of N$115 million in the year to April 1994, up from N$100 million the previous year. Activities are maize milling, animal feed production and sugar packing (of imported sugar). All the business branches are treated as separate business units. The price of maize, which is grown as a cash crop by commercial farmers in the north, is controlled by the Maize Board, as are imports. Maize production is shared out equally between Agra and Namib Mills. Milling capacity is greater than the local market needs and export markets for milled maize are being sought; but domestic maize production meets only half local needs. The development of mhango (pearl millet) milling, a difficult process not yet successful by mechanised methods, is in progress with British technical assistance. There is no domestic technical research capability, nor is it necessary for the maize milling. AGRA has c. 800 employees; the industrial division has some 200 full-time and takes on a further 60 at Otavi, seasonally or for big contracts. Some 360 workers are illiterate. Literacy courses are in English and are not much used since the working language of the company and its customers is Afrikaans. (The Annual report is in German as well as in English and Afrikaans.) English proficiency is not very high amongst the 300 white employees of the cooperative, and this creates a problem with regard to training outside South Africa. The General Manager has studied business management at Stellenbosch University, South Africa. Managers attend local management courses run every year by Stellenbosch as part of their distance learning programme. A training expert in agricultural cooperatives from South Africa is also employed to present training courses when required. This meets their needs; but there is a lack of relevant technical training in Namibia. AGRA has a Senior Manager, Human Resources, and all senior managers realise the value of training especially as it is no longer so easy to obtain work permits for South African technicians. The policy is to spend at least 1% of direct personnel costs on training. A system of career path planning is under development. AGRA is a member of the Windhoek Chamber of Commerce.

International Technique Industries (ITI) was founded in 1991 and started production of system-building products in 1993 at fine premises in Otjiwarongo, inaugurated by President Nujoma; it is managed and partly owned by a French family with long experience in Namibia. The main product is an insulated building block made of termite-proofed wood and a well-proven cement compound. There are at present 45 employees (of whom three are foreign); employment could rise to 120 if demand reaches two-shift plant capacity. Recruitment of qualified managers, supervisors, secretaries etc. is not easy in Otjiwarongo and people do not want to move there. The first production run was marred by the use of a defective input, and the local acacia wood turned out to contain a chemical which reacted unfavourably with the cement. Imported pine is now used. Sales are increasing, through a marketing office in Windhoek, although some resistance has been met from established builders' merchants. Sales contacts have been made in neighbouring countries. It has been a lengthy procedure to obtain the necessary approvals from the government and from municipalities. There is no Chamber of Commerce in Otjiwarongo and ITI is a member of the Windhoek Chamber.

NAKARA is a partnership formed in 1980 with three partners, one Namibian and two German residents of Namibia. The tannery processes Karakul lamb fleeces (Swakara), sheepskin, buckskin and ostrichskin; also the skins of game and seals, left with the hair on for tourist curios. The production division makes Swakara garments, leather garments and accessories and ostrich handbags and other accessories, mostly against orders. Almost all production is exported; the only imports are chemicals and fittings (zips etc.), about 5% of inputs by value. ("Exports" in this context include sales to other SACU countries. SACU protects leather garment production with a 60% import duty.) Turnover is about N$3.5 million. The firm is working at about 50% capacity in a difficult market. The NDC has been helpful with capital requirements. The three partners work as general manager, tannery manager and production manager, and they have 69 employees, of whom only three are in sales and administration (!) Employment is steady. None of the partners nor their two assistants have had management training, nor is this seen as necessary, but a retired Dutch executive who has been helping on the technological side (under the Netherlands Management Programme) may look at production organisation when he returns later in 1994. Chemical supply companies keep them abreast of the latest technological advances and they do limited in-house tests. Most workers in the tannery are men, and almost all the production workers are women. New workers are taken on for three-month probationary periods by recommendation of the existing workers, but must be literate; they usually start in menial jobs. Women are not brought up knowing how to use sewing machines and are largely trained "sitting by Nellie". Staff turnover is low but it is not clear whether there is true interest in the success of the firm. Nakara is a member of the Windhoek Chamber but the partners have no time for active participation.

Namibia Plastic Converters (Pty) Ltd, founded in 1969, is a wholly-owned subsidiary of a South African company, itself part of a larger group. Its products are PVC and polyethylene piping, made from imported raw materials, for agricultural, civil, mining and domestic uses. Couplings and similar injection-moulded accessories are imported. Sales are to merchants, against South African competitors, for onward sale to end-users, almost all in Namibia with a few in South Africa. There is latent potential for export to Angola. There are about 80 employees, a number which has recently gone up as an effect of the Labour Act 1992, which limits overtime and in fact benefits the company as to quality of production and the general health of employees. Teams of fifteen now work three shifts to give 24-hour production five days a week. The General Manager, who was brought in to improve performance a few years ago and has done so, has a B.A. degree and has attended some management courses in South Africa. He, the Administration Manager and the Factory Foreman (who has a diploma in electrical engineering) are Namibians. The senior non-white is the day-shift foreman. Amongst the operators questions of authority sometimes arise between different ethnic groups, in moments of stress. Maintenance is bought in, at high direct cost, from local firms for electrical or electronic work and from South Africa for the plastic extrusion machinery. The company would similarly buy in training but could not release managers for training elsewhere. Computer training was bought in this way, costly but worth the outlay. The General Manager notes an increase in professionalism in Namibia. The company is a member of the Chamber of Commerce in Okahandja but time pressure precludes active participation. The GM commutes from Windhoek. (See also NEC Stahl on this point.)

Fabupharm Products (Pty.) Ltd. has three shareholders of which the Managing Director, a Namibian pharmacist, holds 40%, an inactive Namibian shareholder holds 40% and a Danish resident of Namibia holds the remainder. The company is four years old and has two main product lines: toiletries, some repacked, and some manufactured; and pharmaceuticals, again some repacked and some manufactured, all from imported raw materials. (Even label printing cannot be adequately done in Windhoek.) The latter activity was started in September 1993 and already accounts for 90% of turnover. Turnover is growing rapidly, and needs to do so because the company is highly geared and short of working capital. The biggest customer is the government, which allows 26% local preference. Medicines are inspected by the South African Medicine Control Council and are registered with the newly established Namibian MCC. They also have provisional authorization from the Ministry of Health. (The company finds the bureaucracy difficult to deal with, mostly through the inexperience of the bureaucrats.) Fabupharm is the only Namibian company in this product area. There are 20 employees, recently up from 15, and by the end of 1994 another five will have been taken on. At present the Managing Director and the Financial Manager can cope with all management requirements; but it is difficult to find a competent computer-literate secretary (perhaps because the company is in Otjiwarongo, not Windhoek), an instrument technician, and a good sales representative (who should be a pharmacist). It could be said that Fabupharm, like many enthusiastic and technically competent small companies at critical moments of expansion, is in urgent need of consultants' advice in steering it through the coming phase and in establishing more professional management systems.

Continental Meat Products (Pty) Ltd, makers of Hartlief meat products, started as a butchery on the German model and was incorporated in 1946; the company has been properly "industrial" since about 1980. They are packers of fresh meats for supermarkets, and the largest makers of sausages, salamis and other processed meat products. The main plant is in Windhoek, and there is a small operation in Johannesburg. About one-third of the turnover of N$43.5 million is exported to South Africa. The technology is at a high standard but with 325 employees labour costs are above industry norms. There are four executive managers, and four senior functional managers; then there are nine specialised middle managers, including the personnel manager, EDP manager, accountant, and maintenance manager. Two of the middle managers are non-white. Most managers have had some management training, but the company is now trying to formalise it. Fifteen are following an in-house programme conducted by a consultant from South Africa. At a lower level 35 members of staff (including an office messenger) are attending a one-week supervisory course at IMLT. Literacy and language courses are also run. The company is aiming for ISO 9000 through a TQM programme to be introduced by a Namibian who used to work in South Africa. (It will be validated in South Africa.) The major task is to get TQM and ISO 9000 understood. This is part of a "drive out of stagnation": Hartlief aims to double turnover in the next six years, mostly in the export market. The company is a member of the NNCCI.

Etosha Fisheries Holding Co., Walvis Bay, was founded in its present form in 1991 but traces its origins to 1945. The company produces fish meal for the South African market. It makes a loss every year but maintains production in order to retain its fishing quota. (There is a shortage of pelagic fish and the company cannot catch its quota. If it did so the plant would be profitable and a new canning factory would create more jobs.) The plant is the most modern in Walvis Bay, but is obsolescent. In fact one modern plant could handle all fish meal production in Walvis Bay. The manager is an engineer and a marine surveyor by profession. Under him there is an accountant, an administration manager, an engineer (with a South African technician's certificate), and a production foreman. The most senior non-white is an assistant engineer. A high proportion of the workforce comes from the north, some on a seasonal basis. Those on the permanent payroll can borrow money to buy houses. There is a high rate of illiteracy and little technical expertise is required and this can be acquired by on-the-job training. Some foremen are taken from this group. The company has however now formally identified its training needs. Apprentices are sent to Arandis, and one to the Windhoek VTC.

Namib Fisheries Holdings Ltd, Walvis Bay, is owned as to 70% by Namibian individual shareholders and 30% by a Spanish fish marketing company. It is divided into three operating companies: **Namib**, which catches and cans pelagic fish (pilchards), 40% of which go to the European Union, and makes fish meal; **Karibib**, which catches white fish (hake), beheads, guts, fillets and freezes it and exports 90% to the European Union, some 7 - 8,000 tons per year; and **Tunacor**, which has nothing to do with tuna fish but processes fish on behalf of the other two companies. Growth is limited by the catch quota, and will have to come through new products. The company benefits from Spanish expertise and marketing services, and from the Fishing Industry Research Institute in Cape Town. There is no in-house R & D. Quality and hygiene are continuously inspected by the South African Bureau of Standards (as with all fish processing companies). The managing director is a chartered accountant. There is a technical director, and engineer, an administration manager (who takes care of finance and personnel), production managers for canning and white fish, and a "shore skipper" in charge of workshops and support services. Some managers need management training and would have to go to South Africa for it. (In the end Namibia should develop its own management training but meanwhile South African training serves the purpose well.) Some of the shift foremen are non-white; some have been identified for promotion and are being trained up through a mentor programme. The company has an affirmative action plan in place. The main workforce is trained on the job but there is an increasing need for quality and quality training would benefit local people. It should be noted that the quota allocations impose obligations regarding conditions of work. The company's technology is not the latest: new technology will be less labour intensive and would exacerbate the problem of obtaining maintenance technicians. The company has made a donation to the University of Namibia towards a Chair in Marine Sciences.

Hydroweld (Pty) Ltd., Walvis Bay, provides engineering services mostly to ships in port but also to mining companies. The company was founded in 1973 and is one of a group of three (the other two being in Windhoek and Cape Town). Each has two or three shareholders, of which the manager of the Walvis Bay company, a Namibian of German origin, is one. In Walvis Bay there are 60 employees, of whom 25 are skilled, including four coded welders. The company does its own practical training but sends trainees to Windhoek for theory. Some higher-level training has been undertaken in South Africa but there is an absolute need for training to be available in Namibia. Every "journeyman" (craftsman) has a helper, and the helpers are paid N$5.25 an hour (about US$1.46), well above the legal minimum. Core workers have been with Hydroweld for 15-20 years and are treated as friends or working partners. All regulations are observed and there are various benefits such as group life insurance scheme. However in the face of stiff competition it is essential that work quality and timing are strictly observed. The company's technology is at the correct level for the production and maintenance work required by the market; they have recently invested in a new 8-metre lathe but this is not computer-controlled. Hydroweld is a member of the Walvis Bay Chamber of Commerce and Industry - which has not yet established full understanding with the government (which only took over full responsibility for Walvis Bay from South Africa in March 1994).

Kuiseb Fish Products Ltd, Walvis Bay, is 51% owned by a Namibian investor and 49% by a South African company which is itself a subsidiary of the large Anglovaal Group. Technical support and sales and distribution services are provided through these companies. The company catches hake, which is filleted and frozen ashore, and horse mackerel, which is processed at sea. Kabeljou (cod) and snoek are processed as a sideline. Some 40% of sales are in Spain, the United Kingdom, France and Australia, and most of the rest in South Africa. Considerable investment is being made in upgrading the factory and the quay, and the number of fishing vessels has been increased to five (one of which is chartered). The emphasis is changing to higher value products. With all these developments, a training budget was introduced. This is expected to produce significant dividends and to provide opportunities to overcome traditional labour-relations problems. (Management in the fishing industry is traditionally very dominant. Shop-floor attitudes are strongly imbued with tribal tradition, which accords authority to the strongest, not necessarily the best, group member; and the authority structure is complicated by the mixture of tribes. Change is resisted by the workforce, which is mostly female in the factory. The rate of illiteracy is relatively high.) The training is mostly on manual skills at group factories in Cape Town. The training officer has herself been sent to Cape Town for training and experts from Denmark have carried out training on site. There has so far been little management training. With the recent establishment of a personnel department, proper training programmes are to be developed for all departments. The Acting Manager himself was formerly with CDM where he had to attend one technical or managerial course every year.

Cement Industries Namibia (Pty) Ltd, operates a small, but Namibia's only, Ordinary Portland Cement plant, with a capacity of about 50,000 tons a year. It is owned by four shareholders, of whom a South African individual owns 54% and three other South African shareholders (one an insurance company) own the rest. It was started in 1987 and production started in 1989. Production has been limited by recurrent technical problems to about half capacity but these are being overcome, as far as the unsatisfactory design and equipment allow, resulting in greater product consistency and reduction in waste. Quality is approved by the South African Bureau of Standards. Full production would satisfy about one-third of the Namibian market and could all be sold. Sales in 1993 amounted to N$6 million. Marketing is in the hands of McPhail Ltd, subsidiary of a South African company. McPhail has in fact taken over management of the company and will be providing a South African production manager. (The current plant manager is an accountant and holds the post temporarily.) There are 160 employees, of whom ten are white. A lot of training is needed, from the top, and training expertise as well; there is at present no training budget. There are qualified fitters and turners but the problem is that apart from the engineering manager and his deputy there is a lack of technical knowledge. No management training is done. McPhail might introduce more training, especially if a plan to double capacity comes to fruition. (Potential investors from India, China and the United Kingdom have been examining the proposal.)

Enterprises in Oshakati. The Northern Regional Chamber of Commerce and Industry kindly arranged for the mission to visit a number of small and medium-sized firms in Oshakati. The two largest of these were the bakery, a subsidiary of AMCOM, which is the operational company of the Namibian Development Corporation; and the Meatco (q.v.) slaughterhouse and packing plant. The manager of the **bakery** was coming to the end of a three-year secondment from a financial institution, and during his tenure he had, by means of small, incremental changes, improved efficiency and brought the company into profit. He had taken it upon himself to learn operating procedures in detail, for instance riding on delivery vans. The **Meatco** slaughterhouse buys cattle from "traditional" owners who find it hard to appreciate the quality standards preferred and are in any case reluctant to sell as they regard cattle as capital wealth rather than a source of income. Since they are north of the veterinary fence cattle have to spend 21 days in quarantine before slaughter. The carcases are deboned and packed for shipment to South Africa; no "processing" takes place in Oshakati. **Oshakati Dairy**, owned and run by an Indian, has in fact given up dairy products and bottles fruit juices using imported concentrates, some in fact mixed with local milk. The company lends refrigerators to retailers who stock the products. Another activity is the manufacture of cheese puffs. The problem with this enterprise is that the owner, although he has a partner and his wife to help, and about a dozen employees, tries to do everything, including machine maintenance and process control; it is at a critical stage of development. The mission also visited **Namibia Funeral Undertakers**, which is a manufacturing enterprise to the extent that three employees make coffins. A considerable range of coffins, including some elaborate ones imported from South Africa, is offered but it appears that chipboard is the preferred material, and the mission observed this being cut up and fitted around simple jigs. It is understood that burial in coffins is not customary, but the practice is growing.

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Annex 3

PERSONS CONSULTED

GOVERNMENT

Ministry of Trade and Industry:

Mr. S. Motinga	Acting Director: Industrial Development
Mr. A. Tjihuiko	Deputy Director: Small Scale and Informal Industries
Mr. S. Galloway	Acting Director: Investment Centre
Mr. C.S. Narula	Special Advisor: Industrial Development
Mr. I. Mcdougal	ADB Team Leader, Trade Policy Reform Study
Mr. T. Gurirab	Permanent Secretary

Ministry of Fisheries and Marine Resources:

Mr. S. Goagoseb	Personal Assistant of Minister & Act. HRD Officer
Mr. L. Clark	Special Advisor
Dr. G. Cloete	Chief: Fisheries Research, National Maritime Information and Research Centre

Ministry of Labour and Human Resources:

Mr. H. Shityuwete	Deputy Director: Manpower Planning, Research and Surveys
Mr. Irfan	Special Advisor

National Planning Commission:

Mr. N. Goabeb	Permanent Secretary
Mr. P. Mwotlle	Chief Development Planner
Mr. Antoletti	Sectoral Advisor
Ms. I. Hermanus	Chief Development Planner
Mr. J. Basson	Development Planner

CHAMBERS OF COMMERCE & INDUSTRY

Windhoek Chamber of Commerce and Industry:

Mr. H. Schmidt	Chairman

Namibia National Chamber of Commerce and Industry:

Mr. E. Schleberger	Programme Coordinator
Mr. C. Jacobs	Training Manager

Northern Namibia Regional Chamber of Commerce and Industry:

Mr. M. Kalumbu	Vice Chairman
Mr. W.S. Kamati	Member of Executive
Mr. S. Nambili	Member of Executive
Mr. D. Nanjuba	Member of Executive

INSTITUTION	PERSON	POSITION
TRAINING AND PROFESSIONAL		
Board of Trade & Industry	Mr. L. Bekker	Chairman
IMLT	Mr. H. Schmidt	Managing Director
Private Sector Foundation	Mr. C. Truebody	Executive Director
Technikon Namibia	Mr. B. Hillock	Director: Curriculum Group
MANUFACTURING BUSINESSES		
Hartlief Continental Meat Products	Mr. U. Elns	Managing Director
Etosha Fisheries Holding Company	Mr. R.N. Bramwell	General Manager
Namib Fisheries Holdings Limited	Mr. M. Stievenart	Managing Director
Hydroweld	Mr. D. Steinmetz	Technical Director
Kuiseb Fish Products LTD	Mr. J. Arnold	Acting Managing Director
Namibia Engineering Corporation	Mr. N. Bruckner	Deputy General Manager
Oshakati Dairy	Mr. Peter Thaker	Manager/Owner
Meatco	Mr. E. Leopoldt	Manager: Eloolo
Oshakati Bread Factory	Mr. W. de Kok	Manager
Namibia Funeral Undertakers	Mr. C.D. Shifotoka	Director
Cement Industries Namibia	Mr. J. Conradie	Financial Manager
International Technique Industrie	Mr. J. Lung	Assistant Manager
Fabupharm Products (Pty) LTD	Mr. F.A. Barnard	Managing Director
Fabupharm Products (Pty) LTD	Mr. W. Mosehuus	Financial Manager
Namibia Plastic Converters	Mr. R. le Riche	General Manager
NAKARA	Mr. K. Davidow	Manager
AGRA	Mr. K. Visser	Senior Manager: Human Resources
Meatco	Mr. J. Smith	Managing Director
NEC Stahl & NAR	Ms. R. Schmidt	General Manager
Namibia Breweries LTD	Mr. G. van Biljon	Personnel Manager
Namibia Breweries LTD	Ms. M. du Pisane	Development Officer
OTHER ORGANISATIONS		
ILO	Ms. J.A. Makheta	Senior ILO Advisor for Namibia
Namibia Development Corporation:	Mr. H. Snyman	Training Consultant
	Mr. I. Namaseb	Industrial Development Manager
German Embassy	Mr. Gebauer	Economic Counsellor
Engineering Council of Namibia	Mr. K. Lund	President
British High Commission	Mr. J. Rice	First Secretary
AMCOM	Mr. K. Rautenbach	Regional Manager
TransNamib	Mr. M. Hill	General Manager: Human Resources
UNDP	Mr. A. Guindo	Deputy Resident Representative
USAID:	Mr. S. Spriggs	Director
	Mr. L. Betz	Programme Officer/Consultant
	Mr. Jenks	Programme Officer

Annex 4

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Annex 5 (Revision 1)

Programme proposal
(designed by UNIDO)

Background and justification

Namibian manufacturing industry has prospects for growth, mostly in export markets. The Angolan market may be particularly fertile when peace is finally restored. Further afield, if the recession in industrialised countries comes to an end, and with the gradual liberalisation of trade which will follow the GATT agreement, Namibia should be able to find niche markets for specialised products. The domestic market although small will grow in volume (as the population grows) and if current policies bear fruit also in individual purchasing power. There are also some opportunities for import substitution. Increased production may be in existing products, a wider range of products linked to existing products, or in entirely new products.

The challenges imposed by the small domestic market, the absence of most raw materials, the shortage of water, the long distances within the country and to export markets, and the power of South African manufacturers cannot be gainsaid. Furthermore neighbouring countries, including Angola, can be expected to pursue similar and directly competitive policies.

In these circumstances the three essentials for success will be (1) high value added, (2) rapid and precise response to customer demand (domestic or foreign), and (3) high design, product and service quality. ("Service quality" entails inter alia punctual delivery and efficient after-sales customer support.)

The success of an industrial enterprise comprises satisfactory results, in economic and social terms, to all its stakeholders: investors, employees, customers, suppliers, the immediate social and physical environment, and society at large. In Namibia a successful enterprise will increase formal employment, increase the local and national level of prosperity, strengthen national self-confidence, and reinforce international recognition.

Good management, although only one factor contributing to industrial success, is indispensable. Many Namibian managers are already aware of all that is said above and are already aiming for the three essentials for success. However in the light of UNIDO's enquiries it can be said that there is room for reinforcement in management knowledge and style, and that in general terms managers recognise the need for such reinforcement and will welcome it.

Furthermore despite the good quality of the existing management training institutions in Namibia, as far as they go, they are not yet in a position to provide information and training at the world-class level required; nor are there Namibian consultancies which can yet fill this need. Despite the relatively small market for consultancy and management training services, stronger Namibian capability, and consequent reduction of reliance on South Africa, is certainly an aim worth pursuit. The role of Chambers of Commerce and other intermediate associations can also be built up as channels of information.

The justification for international technical assistance to Namibian industry does not derive either from a low level of competence or a low level of technology. Medium-sized and larger industry can for the most part. enterprise by enterprise, design and fund

its own management performance improvement programmes, if perhaps slowly and haphazardly.
Justification arises from the immediate need to enhance knowledge and experience and to bring training and consultancy capacity up to a sustainably high level in a series of rapid and coherent steps. For this purpose international technical assistance agencies are well placed, by virtue of their own knowledge and experience, to design and implement a programme such as the one which follows. As regards finance, some of the elements are costly and probably beyond the beneficiaries' ability or willingness to pay. This will especially be the case with smaller and newer enterprises and other organisations. External funding will thus be necessary to equalise opportunities, ensure coherent and effective execution, and cover higher costs.

Development objective

Enhanced knowledge of innovative management styles and systems with special reference to the concept of integrated human resources development for industry; enhanced ability to select and introduce management styles and systems which will be successful in the Namibian context; enhanced system for sustained acquisition and dissemination of information concerning developments in management styles and systems in southern Africa and throughout the world.

Beneficiaries

1. Final beneficiaries: (a) the six stakeholders in formal-sector manufacturing enterprises, namely employees (including managers), investors, customers, suppliers, the communities in which enterprises operate, and Namibian society at large; (b) the stakeholders in non-manufacturing enterprises and organisations which support manufacturing industry such as governmental agencies, Chambers of Commerce and Industry and other representative organisations, workers' organisations, professional organisations (of accountants, HRD managers and others), consultancies and training institutions.

2. Direct beneficiaries: senior managers, actual and prospective, of formal-sector manufacturing enterprises and equivalent members of non-manufacturing enterprises and organisations as described above.

Duration

Five years

Execution and management

It is intended that the programme should be under national execution and that the government should designate a national programme manager. The principal responsibilities of the national programme manager will be (1) to establish the details of the programme including the workplan, (2) to secure financial contributions, (3) to assure implementation, and (4) to ensure that the accounting and reporting requirements of donors are complied with. The terms of reference of the programme manager as established by the government may permit the engagement of implementing agents for all or parts of the programme.

Finance

Although contained under a single objective and divided into three major components, the proposal is readily disaggregated into elements which can be separately financed. In the case of the first component the parts of the two elements need not be implemented in any particular order, and a single study-tour or a single seminar could also be financed on its own, although commitments to a certain number are necessary to assure the coherence of the component.

It will be appropriate in some circumstances for costs to be shared by beneficiaries, for example when individual participants are nominated by larger companies, especially those which are in substantial foreign ownership.

The essential national contribution will comprise the cost of programme management. In addition the government or other organisations may wish to absorb the cost of facilities such as premises and equipment for seminars, or to contribute financially to individual elements.

COMPONENTS OF THE PROGRAMME

Component 1: Knowledge and awareness enhancement

This component will provide direct beneficiaries with exposure to industrial management in other countries and to the trends, ideas and practical techniques which are being introduced and explored in other countries. The objective is to give industrial managers a more thoroughly informed basis on which to formulate organisational and human resource development policy and to express their requirements to training and other supporting organisations.

Element 1: Study tours

Six three-week inter-regional study tours each for eight participants with managerial responsibilities, accompanied by a consultant, to be implemented over a period of six months:

1. Organisation and management of fish processing plants

2. Organisation and management of food-processing plants (other than fish)
3. Organisation and management of medium-sized engineering works and chemical process plants
4. Function, finance, organisation and management of management training institutions
5. Function, finance, organisation and management of intermediate organisations
6. ?other

Element 2: Seminars in Namibia

A series of twelve two-day or three-day seminars, to be arranged over a period of one year, for senior participants on some or all of the following subjects, or on other subjects relevant to the development objective:

- [Specific Japanese systems and techniques]
- Organisation of management training in enterprises and institutions
- Human resource management in industrial enterprises
- Development of a new corporate culture in privatised and commercialised enterprises
- Integrated HRD for industry: national responsibilities
- Integrated HRD in industry with low levels of literacy and numeracy
- Organisational development and performance improvement in medium-sized industrial enterprises
- The role of intermediate organisations in the development of industrial human resources
- Interaction of enterprises, the education system and training institutions: systems and content
- Management of change
- Managing company expansion
- The future of industrial employment in Namibia: sub-contracting, teleworking, the virtual organisation

Note 1: Subject to demand seminars could be held in more than one location, for example in Walvis Bay, Otjiwarongo and Oshakati as well as in Windhoek.

Note 2: The proposed seminar on "specific Japanese techniques" could be expanded into a series of, say, three seminars on different subjects if demanded, either within the proposed total of twelve seminars or in addition. It should however be recalled that the seminars are intended to be introductory rather than to provide comprehensive courses of instruction.

Component 2: Capacity enhancement

Capacity enhancement is the core of the programme. The objective is to provide the beneficiary organisations with sustained ability, in terms of their own organisation, management, skills and substantive knowledge, to support manufacturing industry with the services required at world-class level.

Element 3: Reinforcement of management training institutions
Element 4: Reinforcement of intermediate organisations
Element 5: Development and reinforcement of consultancies

The programme of work for each element can be based on action-learning methods, i.e. with intermittent inputs from advisers or consultants who set learning and performance targets to be achieved in the course of normal work. This is in fact a form of "training with production". It is inherent in the method that the work performed by the beneficiary organisations (not only their knowledge) is itself enhanced during the programme and that the industrial clients of these organisations will benefit accordingly.

Action-learning programmes can be complemented by periods of formal off-the-job training and practical experience which in these cases would best take place outside Namibia. In each element six persons could each be trained abroad for two months.

In order to assure sustainable acquisition the duration for each element should be four years. Consultants' inputs in Namibia would probably be more frequent and prolonged during the first year. Savings may accrue if the same consultants work on more than one element.

<u>Component 3: Development of a sustainable system for the acquisition and dissemination of knowledge and awareness of innovative management styles and systems with special reference to HRD in industry</u>

As a continuous support for the world-class standards which are the aim of Component 2 the beneficiary organisations will require a comprehensive, cost-effective and user-friendly information system. The requirement can probably be best satisfied by a unified electronic network to which industrial enterprises and supporting organisations have equal access and for which they share responsibility. It could be combined with other existing or projected information networks, e.g. concerning technology or export markets. The potential benefits of printed information sources (library, periodicals, including Namibian publications) and audio-visual media (film and video-tape) should be taken into account. The first step will be system analysis and design, on the basis of which establishment and operational costs, as well as technical and financial sustainability, can be estimated.

Work on the component should preferably not be initiated until the first two components are well under way and their impact can begin to be assessed. The third year of the programme may be appropriate. However if an earlier opportunity arises to collaborate with the development of other systems it should not be missed.

Element 6: Systems analysis and design for a system giving Namibian industrial enterprises and supporting organisations access to world-wide information on developments in industrial management and human resources development and on training opportunities in these fields

This element should be undertaken by Namibian consultants. The exact duration of the assignment would be subject to discussion after finalisation of the terms of reference.

Terms of reference should include:

1. Collation of information on:

   existing systems, including electronic and printed media, used by industrial enterprises (not restricted to manufacturing) and training and other support organisations (including government departments) for acquisition or dissemination of information industrial management, human resources development and training opportunities in these fields;

   extent of dissemination of information between organisations and enterprises and the means used;

   information systems available to but not used by enterprises and organisations including international databases.

2. Assessment of demand for a new or upgraded, generally available system in principle; identification of the information which is not at present available, readily or at all, and would be in demand; estimate of system utilisation at various cost levels.

3. Identification of allied information systems, existing or projected, in Namibia or elsewhere in the sub-region (e.g. through SADC) with which a new system could be combined.

4. Design of a system for acquisition and dissemination of the information required, capable of expansion to include information not yet required.

5. Identification of location and form of a database accessible to Namibian users, and of hardware already available or projected at this location; or as the case may be of more than one database.

6. Identification of focal organisation, not necessarily at the site(s) of the database(s).

7. Definition of hardware and software requirements.

8. Definition of installation, initial marketing and user training requirements.

9. Design of software maintenance system.

10. Design of system management and administration, to include legal status of the system, management and personnel requirements, relations with other systems if any, continuous demand analysis, identification of and approach to new potential users, decisions on system development, internal training and development.

11. Design of financial planning, administration and control system.

12. Estimate of establishment and recurrent costs; estimate of income from users for first three years.

Element 7: System establishment and support will be defined and costed in the light of the output of Element 6. If support to recurrent costs turn out to be necessary in the start-up phase provision should be tapered off over a maximum of five years.

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