



Trip Report: Namibia Textile Export Visit

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PURPOSE:

The objectives of the visit were to:

- ✍ Identify investment opportunities in the textile sector in Namibia
- ✍ Identify opportunities for SME participation in the textiles and garment supply chain (Potential areas for outsourcing to SME's and training needs)
- ✍ Identify ways of assisting Grouping 9 companies to increase their exports.

Team members for this visit consisted of John Cockcroft, Trade/Textile Advisor; Ms. Maggie Makanza, Hub Institutional Capacity Building Specialist; and Tim Canedo, Business Development Services Advisor, also of the Hub.

A technical report on the findings is attached to this trip report.

LOCATION AND DATES:

Work was carried out throughout the environs of Windhoek during the period 24th thru 28th of November 2003.

HIGHLIGHTS:

- We are grateful to Ambassador Kevin Mcguire, along with his principal Economic and Commercial Officer, David McCawley, who provided one and a half hours of their time for a most constructive discussion. Both the Ambassador and the Economic and Commercial Officer showed great understanding of, and interest in, trade and investment issues in Namibia and the region. The Ambassador asked that both be kept in the loop regarding Namibia, for example, copies of mails to AID Namibia, and anything else of significance within the relevant provenance of the Hub.
- The Textile Sector is regarded by Government as a 'non-traditional' sector. However, within the last few years, driven particularly by AGOA, relatively substantial investment in integrated yarn, fabric and garment production has occurred by the Malaysian-owned company, Ramatex, which is not only the main player in the sector but also the largest manufacturing employer in Namibia.
- Recent rapid growth in the Textile Sector can be attributed to things such as: speed and bureaucratic minimization in start-ups (It took 12 months from the initial visit by Ramatex officials to Namibia, to the initiation of production); ready facilitation of Export Processing Zone (EPZ) status; the willingness of the current investors to import their own trainers and trainers of trainers (There are over 600 Asian trainers and operatives engaged at Ramatex alone); concessions in, for example, land prices, free water; AGOA.
- The operation of a 'Team Namibia', an ad hoc multi-stakeholder entity contoured by Government to facilitate the investment process, for large investments, in each individual case, i.e., authorities such as, MTI, Water, Energy, Inland Revenue, Home Affairs, Labor and Land, and Local Municipality. Also, the Ministry of Trade and Industry has developed through stakeholder consultation, a Textiles Sector Action plan.
- Two further large investments are currently under discussion with the 'Team Namibia', a \$100 million Swiss-South African joint venture (that has been

approved), which includes a large knitted fabric production plant; and a much larger US/Namibia integrated investment. These would both be situated in the Windhoek area. It was reported that the Swiss/SA firm could initially generate 3000 jobs, and the US/Namibia company would provide even more employment.

- Investments/planned investments in the textile sector are taking place despite some very obvious constraints and/or potential constraints. These include: current lack of a direct shipping container service to the US; low productivity when compared with similar textile plants in the East (a reported productivity study by Ramatex, revealed that a Namibian worker produces 1 shirt in the same time that Asians produce 5-10 shirts); there is a view that, certainly in the Windhoek area, a critical mass of sector development has now been reached. The serious effect upon the water table and suitable land-space are cited as two such concerns; Ramatex's contention is that TransNamib had failed to fulfill its promises adequate container transportation in terms of speed and numbers, with consequent recipes for severe commercial dislocation, loss of production and possibly cancellation of orders.
- The multiplier effect of the foreign investment should provide for various opportunities for small and medium sized enterprise (SME) development such as; packaging, label printing, button and zip manufacture, chemicals, plastics and so on. Reported training of local SME's in backward linkages by RAMTEX for knitted fabrics has not yet produced results and needs further follow-up and investigation. A comprehensive directory of SME's by sector/products has been developed through a USAID-funded Small and Medium Enterprise Competitiveness Enhancement Program (SMECEP). The project has been working to strengthen the capacity of local business services organizations to deliver business services to SME's and provided support to small business through training, business linkages and IT and trade shows. This should provide a pool of SME's with sufficient capacity to take advantage of the opportunities identified for possible outsourcing from the textile companies.
- The team met and had discussions with several Grouping 9 companies that produce among others:
 - ✍ Hand woven karakul carpets and wall hangings with distinctive designs
 - ✍ Textile embroidery work on table clothes, cushions, bags and blankets,
 - ✍ Traditionally unique hand-made basketry with a niche in the modern market
 - ✍ Traditional woodcarvings from the roots of indigenous trees
 - ✍ Hand-carved frames each individually carved by Kavango craftsmen in traditional African designs.
- There is a clear linkage between the increase in tourism in Namibia and increased sales of Grouping 9 products. Tourism has grown in Namibia and is the third largest contributor to national GDP. This has brought about a 20% growth in business with Grouping 9 companies selling 60% of their products to local foreigners and tourists with 40% of their products being exported. 10% of the Grouping 9 products are going to SA.
- The Rossing Foundation is facilitating the collective organizing and marketing of Grouping 9 products through the Namibia Arts and Craft Centre which brings together 26 independent companies producing a variety of products. A committee carefully selects the companies, basing acceptance on product

quality and range. The Rossing Foundation, through its marketing agent, Mud Hut Trading facilitates: enterprise development skills training, training in product development, and research and marketing. Rossing has a network of more than 800 handicrafts makers throughout Namibia,

- Penduka on the outskirts of Windhoek, is specializing in embroidery work on textiles to produce tablecloths, other household utilities. The group employs 28 full-time staff and out-sources embroidery work to approximately 300 other women in villages in and around Windhoek and up to 100km north of Windhoek. This gives them the potential to expand their production in response to demand, as there is a ready pool of skilled women to do the embroidery. Penduka is a self-sustaining business able to meet large orders to client specifications and currently export to Norway and Holland. Penduka is anxious to expand its market to the USA so they can utilize the hundreds of village women skilled in embroidery.
- The general, the focus for Grouping 9 companies is in the 'niche' markets, with limited large markets for specific products e.g. basketry and woodcarvings. There appears to be good interest in traditional products from various African countries in specialty markets in the States – but more and more the products requested are to specifications demanded by the market.

ISSUES

- There is potential for a wholly integrated national or company sector supply chain, from a revival of cotton growing and ginning, as downstream developments gather pace. Attempts are being made to increase the local production levels through the Ministry of Agriculture's Cotton Development Program as, it is reported that, current production is far below anticipated needs.
- Currently there is little evidence that the larger investments have had any significant effect on the development of the SME (or potential SMEs) of the textiles value chain.
- Some very real production expansion opportunities do exist. There is in fact a huge reservoir of residual technical and design skill upon which new SME's could be based. It is this transfusion of residual talent into new SME's that will increasingly characterize the sector in a symbiotic relationship with the new industrial giants
- The team noted that most of the fabric used by the Grouping 9 companies is imported from and or printed in SA and other countries in Europe. An ethnic wood framing company imports its soft Wawa African wood from Nigeria. We noted that, while the companies pay import duty they were not aware of any duty drawbacks allowable on exporting the finished products. The impact is that most of the producers are pricing their products very high.
- In some instances with Grouping 9 companies there appears to be a lack of consistent pricing policy or knowledge of how to price their products, as they could not determine their profit margins.
- Transportation of raw materials and finished products to the market is expensive as it is often difficult to fill a container. It was reported that one trader is shipping woodcarvings in containers to the USA through the Walvis Bay. The Hub needs to explore the options the possibilities of combining the volumes to bring the cost of transportation down.

- What may be eligible/ineligible under Grouping 9 is not quite as straightforward as one might think. There may be a blockage, intentional or unintentional, deriving from cursory reading of the act. Beyond the few major sector players there is obviously a need for greater information and clarification of the opportunities provided by AGOA, whether for industrially produced or predominantly hand produced articles

RECOMMENDATIONS

1. **Secure Visit to Ramatex** as this is the major player in the textile sector in Namibia it is of utmost importance that contact is made and clarification on many points is obtained. Two appointments were fixed and both were cancelled during the trip related to this report.
2. **Liase with MTI (Trade Promotion)**, with regard to expediting Grouping 9 exports, pre or following Hub one-day Workshops. Further identification of companies for coordinated efforts under AGOA mainstream and/or under Grouping 9.
3. **More in-depth communication with SME's** identified during last day of this trip, to ascertain in greater detail capacities and potentials for export, whether under AGOA mainstream or Grouping 9 provisions, and to determine BDS needs.
4. **Visits to Rhino Garments, Tai Wah and any significant SME's** that might usefully have place in a Regional Supply and Demand database.
5. **Contact Ministry of Agriculture and other Cotton Sector Stakeholders** to ascertain status re proposed Gins; to obtain details of the Cotton Industry Development Program; to acquire production and yield statistics; and ascertain real constraints to production, processing and marketing.
6. **Further work with Grouping 9 companies** The grouping 9 companies in Namibia could be organized to respond to sophisticated markets like the US. The models for collective marketing and organizing demand driven production are key factors that the Hub should catalyze. The companies are anxious to get concrete information on markets. Since most of the grouping 9 companies involve women, we learned that the Ministry of Women's Affairs is keen to promote women businesses and would be keen to participate in Hub-organized activities. The team was however unable to meet with the ministry. The Hub will ensure their involvement in the planned Marketing Information Sessions for grouping 9 companies next year. The sessions for Namibia should include among others;
 - Information on duty drawback on finished products for export when raw materials are imported
 - Discussions with traders on the options of lowering the cost of transportation.
 - Collaborative ways of getting market information and producing to client specifications using the Penduka and Rossing models
 - Strategies for collaborating to meet limited large orders from Namibia and options for linkages with other SACU countries.
 - Possibilities for participation in the Ministry of Trade and Industry Export Marketing Assistance Programme (EMAP) for Manufacturers
 - Identified information on actual US buyers for possible business linkages.

CONTACTS

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Manager, Namibia, Fashion World Chain (RSA with 100+ stores in Region), Independence Avenue, Windhoek. (RSA phone number 012 666 7302

Mr. & Mrs. Nirvin Morar, Proprietors, Chelsea Fashions, Independence Avenue, Windhoek (the largest multi-purpose textile shop in Namibia, founded 22 yrs ago)

Werner L. Melke, Proprietor, Bushman Art Gallery cc. African Art Museum.

Email: bushmanart@iafrica.com.na.

Amunyela Nicofermer, Senior Trade Promotion Officer, Directorate of International Trade, Ministry of Trade and Industry, Namibia.

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'Penduka' Crafts, nr. Windhoek. (Translated means wake-up call for gender)

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Email: deames@sigmaone.com.na

Factories/Shops

Namibian Garments

Tuli (embroidered ladies' blouses)

Spirit of Africa (T-Shirts etc.)

Victory Sports vicsport@iway.na; 061 24 7428 (Smart-casual menswear)

Namibian Craft Centre (Selection from 26 stalls, Tal St., Windhoek)

Ikehoba (Overprinted domestic textiles)

Savannah (Boutique)

Anin, (Hand embroidered Bed linen and Textiles) anin@mweb.com.na

Lord J. Dyeing Project (Small but piece goods and clothes)

Oasa Taradi Needlework, (Embroidery- 'Busy Women' Co-operative

Ibenstein Carpet Weavers (very good): gebhardt@ibenstein-weavers.com.na. Factory is near. Dordabis 100 km. SE of Windhoek

Annex A: Analysis of the Textile Sector in Namibia

Acronyms

| | |
|----------------|-------------------------------------------------------------------|
| AID | Abbreviation of Agency for International Development |
| AGOA | Africa Growth and Opportunity Act |
| BDS | Business Development Services |
| DFID | Department for International Development (UK) |
| ECF | Employees Compensation Fund |
| EPZ | Export Processing Zone |
| EU | European Union |
| FTA | Free Trade Area (US/SACU) |
| GDP | Gross Domestic Product |
| JV | Joint-Venture |
| LDC | Least Developed Country (per capita incomes < 1500/yr.) |
| MSD | Maternity, Sick & Death (Benefit Fund) |
| MTI | Ministry of Trade and Industry |
| O&M | Organization and Methods |
| RSA | Republic of South Africa |
| SACU | Southern African Customs Union |
| SME | Small & Medium – size Enterprises |
| ST | Short-Term |
| USAID | United States Agency for International Development |
| WS | Work Study |
| WTO | World Trade Organization (Geneva) |

1. Characteristics of the Textile Sector in Namibia

The Textile Sector has been regarded by Government as a ‘non-traditional’ sector. However, within the last few years, driven particularly by AGOA, relatively substantial investment in integrated yarn, fabric and garment production has occurred, particularly by the Malaysian-owned company, Ramatex, that is now, through its subsidiaries, not only the dominant player in the sector but also the largest manufacturing employer in Namibia. The Ministry of Trade and Industry has developed through stakeholder consultation, a Textiles Sector Action plan.

The Ramatex site comprises garment factories, a knitting mill, spinning mills and dyeing mills as well as a container terminal. Currently Ramatex employs over 7000 persons in its modern integrated facility on the boundary of Windhoek, the capital city with a population of approximately one-quarter of a million. The company also employs over 1500 persons at an adjacent garment-only facility, under the name Tai Wah Garments, which supplies Nike and other strong US Brands. A further company Rhino Garments, based in Taiwan, is located on the same EPZ site as Ramatex and Rhino. It is considered by some parties that there is financial linkage between Rhino and Ramatex and that the former also has Mauritian involvement. Some verification could be sought on these points, particularly, as will be seen below, important policy issues are emerging for Government. It is estimated by the Permanent Under-Secretary of the Ministry of Trade and Industry (MTI) that up to 20,000 persons will be employed between these three companies alone, when current commissioning phases are completed by the end of this year and when all firms are ‘working at the highest level’ (5). At full production capacity this integrated plant will have a monthly output of 700,000 kilogrammes of yarn, 700,000 kilogrammes of knitted fabric and 160,000 dozen garments employing up to 10,000 persons.

2. Reasons for the Recent Rapid Growth in the Textile Sector

Amongst reasons cited for this extraordinarily rapid growth of these modern and sophisticated factories, include,

2.1 On the Supply Side

- Speed and Bureaucratic minimization in start-ups, compared say to Mozambique, Swaziland or even the Republic of South Africa (RSA). It took 12 months from the initial visit by Ramatex officials to Namibia and starting production.
- Ready facilitation of Export Processing Zone (EPZ) status.
- The operation of a ‘Team Namibia’, that is an ad hoc multi-stakeholder entity contoured by Government to facilitate the investment process, for large investments, in each individual case, i.e.,, authorities such as, MTI, Water, Energy, Inland Revenue, Home Affairs, Labour and Land, Local Municipality.

- The willingness of the current investors to import their own trainers and trainers of trainers. There are over 600 Asian trainers and operatives engaged at Ramatex alone.
- Concessions in, for example, land prices, free water.
- The potential for a wholly integrated national or company sector supply chain, from a revival of cotton growing and ginning, as downstream developments gather pace.

2.2 On the Demand Side

- AGOA
- Negotiations on a Free Trade Area (FTA) between the Southern African Customs Union (SACU), that would permit preferential exports to the US if AGOA did in fact come to an end in 2008.
- Generated local fabric demand from local garment manufacturers, as the sector gathers momentum in Namibia, as it is stated that Ramatex will have excess fabric capacity, beyond that for its own apparel needs, for the domestic market and/or export.
- Ramatex's intriguing perception that despite Namibia's status as a non Least-Developed Country (LDC) at the time of its negotiations and entry into Namibia, its fabric capacity was of such quality that it could still compete with Regional or other countries in the US market that utilized third-country yarn and fabric in their garments (Namibia was subsequently & paradoxically accorded the same third-country Regional fabric exemptions as LDC countries, along with Botswana in late 2002)

3. The Sector in the Hub's Regional Perspective

It is quite remarkable that the new wave of industry has developed in this way, in such a short space of time. The Sector in Mauritius, frequently seen as the most progressive in the Region, has taken at least two and a half decades to evolve to its 80,000 operatives. The Sector in RSA, the largest in the Region and more fully integrated than that in Mauritius, is now to be joined 'overnight' by a third, at least partly integrated high technology player in the Region. Lesotho and Kenya, also both currently higher in garment production than Namibia, currently appear to have a relatively lower degree of national integration, although several plans exist there, as in Swaziland, for developing yarn and fabric production.

The current quest in some ways resembles the creation of the great integrated colonial mills in Africa constructed some 40-50 years ago, such as David Whitehead in Malawi and the mill currently known as Nyanga, in Southern Uganda and Sunflag of Tanzania (already exporting under AGOA but needful of rehabilitation of yarn & fabric technologies) or similar, will possibly have a new lease of life under the current international impetus to privatize and encourage investment and rehabilitation, initially for Regional import substitution but with sound progress, eventually exports.

This is mentioned because the Hub aims, as part of its new Workplan, not only identify any such worthy Regional capabilities but to assist, where possible, in supporting of a range of Business Development Services (BDS) and bringing such specific Regional companies together into new commercial synergies. It is mentioned

also because such could potentially complement the large -scale current Foreign Direct Investment that is already occurring in Namibia, Lesotho and Swaziland or planned for the Region, pending clarification of the future of the new SACU/US FTA and AGOA itself, that has provided the motivation for much of the recent Regional growth, with some additional opportunities deriving from the EU's Lome and Cotonou preferences.

Thus, the combined effect of the above two principal thrusts should be to create a sustainable African Regional capacity that can compete with the large global players such as Pakistan, India, Bangladesh and China as the new World Trade Organization (WTO) rules begin to bite from January 2005. A key question is whether the new impetus in Africa will took root in sufficient measure and sufficiently quickly not to be swept aside before it has time to flourish.

4. Further Major New Investment in Namibia?

4.1 Possibilities

- It must be encouraging within this global perspective that large Asian investors have chosen to invest in Namibia. Ramatex is likely to have invested \$900 million dollars in plant in the country, in Windhoek and in the North and South of the country by the time its current intentions are complete, that will represent its largest investment outside the worlds' cheapest and by far the largest textile producer, China.
- Two further large investments are currently under discussion with the 'Team', a \$100 million Swiss-South African joint venture (JV), which includes a large knitted fabric production plan; and a much larger US integrated investment.

4.2 Constraints

Such investments/planned investments are taking place despite some very obvious constraints and/or potential constraints. These include:

- Current lack of a direct shipping container service to the US. The Hub is active in endeavoring to assist in the development of Walvis Bay as an adequate container port. Sheer commercial logic will eventually bring this but for the time being, 'extra' transportation costs are being absorbed.
- The non-traditional character of the industry in Namibia brings with it a strong learning curve in which the high productivity expectations of the Asian management is brought head to head with a less conditioned factory working culture of local Namibian labor. A reported productivity study by Ramatex, revealed that a Namibian worker produces 1 shirt in the same time that Asians produce 5-10 shirts.
- It is held by Commark, a Trust based in South Africa, that on the basis of its findings in a UK-funded Department for International Development (DFID) Project on Productivity and Training Needs Audits in Lesotho, that significant gains in Regional productivity could be made. It was the intention of Commark to disseminate and roll-out its methodology, approach and results across SACU countries but DFID has, in recent weeks given notice of a

considerable reduction in funding for that Project. The Hub will do what it can, to propagate methods/actions across SACU, in the revised circumstances.

- It is a moot point whether or not the new large companies now operating in Namibia will really feel the need for external lessons on how to grapple with the local culture and increase productivity, when they already have literally hundreds of Asian employees who are permanently engaged in just such activities (6). Emergent smaller companies could however, most probably benefit, but in such cases needs are diffused across a wide range, in which case collation and dissemination of information by Commark and the Hub, regarding specific Regional Work-Study (WS) and Organization & Method (O&M) companies, particularly South African or Mauritian, could assist.
- There is a view that, certainly in the Windhoek area, a critical mass of Sector development has now been reached and hence future locations in the North and South, lacking in infrastructure, would take longer to commission and bring to peak potential output. The effect upon the water table and suitable land-space are cited as two such concerns
- Already a critical mass is being reached in Government/large company negotiations, which involve some of the above points. For example, Ramatex requested additional land at its previously discounted rate, close to its existing operations, in order to attain maximum economies of scale. Government insisted through the Windhoek Municipality that there was no more land available and Ramatex accordingly countered with the suggestion that it could, instead, locate new Regional investment in Malawi or Botswana (7).
- Government for its part has declared that Ramatex is already in default of its contractual obligations to make contributions to Employees Compensation Fund (ECF) and the Maternity, Sick and Death (MSD) Benefit Fund. Moreover, the company had not registered with the Labour Ministry as required by law (9). A counter contention is that TransNamib had failed to fulfill its promises adequate container transportation in terms of speed and numbers, with consequent recipes for severe commercial dislocation, loss of production and possibly cancellation of orders. Whereas Ramatex's needs were 1000 containers per month in and out of Walvis Bay, TransNamib was struggling to meet only half such needs, resorting to conversion of cattle trucks (10).
- The situation is exacerbated by the current practice of bringing in raw cotton from the US or West Africa (11), as opposed to utilization of domestic or Regional cotton. Attempts are being made to increase the local production levels through the Ministry of Agriculture's Cotton Development Program as current production is far below anticipated needs. A potential Government policy issue is currently emerging in that Ramatex, in an attempt to totally integrate its supply chain nationally, has approached Government for concessions on land purchase for cotton growing and to introduce its own Ginning plant. This could apparently cut across a proposed JV between a US Georgian company and a local consortium that would include farmers' co-operatives as stakeholders, representing possibly 10,000 small cotton growers. A local view holds that Ramatex is now seeking a monopoly, if not in all Namibian cotton growing, then in its Ginning capacity, of which it currently has none.

Hence here is yet another manifestation of the problems dictated by the dynamics of progress (as opposed to regression) that will have to be urgently addressed. In view of the fact that the proposed locally owned Ginnery will have a capacity of 5/6000 tonnes per annum and that Ramatex's consumption alone is expected to reach 20,000 tonnes per annum (12), a formulae will have to be devised that satisfies both national and foreign interests.

5. Multiplier Effect and New SME's

The multiplier effect of the foreign investment can be further recognized by the MTI, in which several opportunities for small and medium sized enterprise (SME) development are apparent, such as cardboard box packaging, label printing, button and zip manufacture, chemicals, plastics and so on (13).

This is quite apart from the likely spin-off effect of large companies having a stimulating effect upon local entrepreneurs, which may lead to local yarn or fabric manufacture. This would be unlikely unless it is machine knitting that requires relatively low capital investment and that can be incrementally built up with relatively small additional technology or labour costs.

A search through local shops and markets revealed that this process may just be at a beginning. Even for import substitution initially, it would represent a valuable addition to the national economy. It is of interest that the principal clothes store in Namibia is RSA-owned and that its garments are made-up in RSA, mainly from Asian fabric. The largest multi-purpose fabric store in Namibia, has knitted, woven, jacquard, printed, leno, furnishing, apparel fabrics, etc., all of which are imported and necessitate the continuous carrying of large stocks to cover the range. 99% of these are imported.

Based upon the evidence seen in these major domestic retail outlets, there could therefore be further potential for the creation of Namibian SME's. Reported training of local SME's in backward linkages to RAMTEX for knitted fabrics has not yet produced results and needs further follow-up and investigation. A comprehensive directory of SME's by sector/products has been developed through a USAID-funded Small and Medium Enterprise Competitiveness Enhancement Program (SMECEP). The project has been working to strengthen the capacity of local business services organizations to deliver business services to SME's and provided support to small business through training, business linkages and IT and trade shows. This should provide a pool of SME's with sufficient capacity to take advantage of the opportunities identified for possible outsourcing from the textile companies.

6. Current Fluidity of the Sector in Namibia

Just what the Sector features noted above, portend for the future of the development of the Sector in Namibia is open to question. Obviously considerable improvements in infrastructure are needed to accommodate yet further expansion. Obviously, considerable potential opportunities exist for new knitted fabric and apparel SME's; and also for a whole cluster of supporting service companies.

It should be realized that the disputes referred to above, are actually reflections of opportunities being implanted in the country, that will supplement the very broad spectrum of economic activities already existing in Namibia, in precious stones, wine manufacture, wood carving, ostrich leather goods, beef and other agricultural products, and so on, including textile handicrafts.

In this respect there is a potential merging between the new companies in the sector, the smaller garment and household textile manufacturers and the traditional national textile skills. Here, a fine dividing line is now drawn, between machine-made basic fabric to which exquisite hand-embroidery is added for blouses, that could with assistance, potentially come within AGOA garment regulations; and other similarly compiled fabrics created down the handicraft route that could come under the provisions of AGOA Grouping 9. In both cases it is considered that significant export and job creation potential exist.

7. Grouping 9 Companies

The team met and had discussions with several grouping 9 companies that produce among others:

- ✍ Hand woven karakul carpets and wall hangings with distinctive designs in earth colours,
- ✍ Textile embroidery work on table clothes, cushions, bags and blankets,
- ✍ Traditionally unique hand-made basketry with a niche in the modern market
- ✍ Traditional woodcarvings and a wide selection of woodcarving from the roots of indigenous trees
- ✍ Hand-carved frames each individually carved by Kavango craftsmen in intrinsic African designs.

The following issues emerged consistently in our meetings with grouping 9 companies.

7.1 Tourism and Grouping 9 Products

- ✍ There is a clear linkage between the increase in tourism in Namibia and increased sales of grouping 9 products. Tourism has grown in Namibia and is the third largest contributor to national GDP. This has brought about a 20% growth in business with grouping 9 companies selling 60% of their products to local foreigners and tourists with 40% of their products being exported. 10% of the grouping 9 products are going to SA. This shows that the grouping 9 products have proven themselves with a high demand from foreigners (both visiting and resident in Namibia)

7.2 Focal Points for Collectively Organising for Production and Markets

- ✍ The Rossing Foundation is facilitating the collective organising and marketing of grouping 9 products through the Namibia Arts and Craft Centre which brings together 26 independent companies producing a variety of products. A committee carefully selects the companies, basing acceptance on product quality and range. The Rossing Foundation, through its marketing agent, Mud Hut Trading facilitates:

- Enterprise development through skills training (e.g sales staff training), developing product brochures, setting up emails communication and promotion via the internet.
 - Training and Product Development through helping producers to improve their products, and assist in demand driven production.
 - Research and marketing to help producers to find markets and assist them in producing to market specifications. For example, Rossing has a network of 800 basket makers throughout Namibia, through a training program on product specifications, they have been able to deliver a large order to a department /supermarket in SA, made to client specifications.
- ✍ Penduka on the outskirts of Windhoek is specialising in embroidery work on textiles to produce tablecloths and other household utilities. The group employs 28 full-time staff and outsources embroidery work to approximately 300 other women in villages in and around Windhoek 100km north of Windhoek. This gives them the potential to expand their production in response to demand, as there is a ready pool of skilled women to do the embroidery. Penduka is now a self-sustaining business able to meet large orders to client specifications and currently export to Norway and Holland. There is evidence of a strong need for business development services support including financial management, establishing costing and pricing. With a good management structure, Penduka is anxious to expand its market to the USA so they can utilise the hundreds of village women skilled in embroidery work.
- ✍ The karakul weavers have organized themselves into an association which brings together the many karakul weavers and collaborate on markets, product development and production (The team did not meet with the Weavers Guild of Namibia in Swakopmund and follow-up to learn more about how they organize themselves is needed)

The traditional markets for Namibia have been historically, Germany, Netherlands and the UK. The US market is generally perceived as too huge and intimidating to small traders and AGOA documentation too complex and difficult to understand. Most traders lack information on the US market and lack the financial resources to promote their own products. It is not clear if the Grouping 9 companies can benefit from the Ministry of Trade and Industry Export Marketing Assistance Programme (EMAP) for Manufacturers.

- ✍ The general focus is on the niche market with limited large markets for specific products e.g basketry and woodcarvings. There appears to be good interest in traditional products from various African countries in specialty markets in the US – but more and more the products requested are to specifications demanded by the market. Most traders that we talked to welcomed the planned one-day Market Information Sessions. They emphasized the need for the session to focus on concrete market information that provide specific contacts with potential buyers/markets in the USA. The SMEs Compete program by Sigma One is willing to collaborate with the Hub on these sessions

7.3 Grouping 9 Product Competitiveness

The team noted that most of the fabric used by the grouping 9 companies is imported from and or printed in SA and other countries in Europe. An ethnic wood framing company imports its soft Wawa African wood from Nigeria. We noted that, while the companies pay import duty they were not aware of any duty drawbacks allowable on exporting the finished products. The impact is that most of the producers are pricing their products very high. We noted this point for Hub follow-up action with the Customs Experts.

In some instances lack of consistent pricing policy or knowledge of how to price their products was evident, as producers could not determine their profit margins.

Transportation of raw materials and finished products to the market was expensive as it is often difficult to fill up a container. One trader is shipping woodcarvings in containers to the USA through the Walvis Bay. The Hub needs to explore the options the possibilities of combining the volumes to bring the cost of transportation down.

7.4 Grouping 9, AGOA and the textile Sector

Reference will here be made to some particular characteristics of the Sector that in particular appear to support a view that the term Textile Sector should be held, in the case of Namibia and in other cases, to be inclusive also of products made via the conventionally termed handicraft route, in the general cause of trade expansion.

Some very real production expansion opportunities do exist. Although the Sector may justifiably be held by the MTI officials to be a non-traditional Sector in the industrial scene, it is far from true of the traditional materials historically emerging down the handicraft route. There is in fact a huge reservoir of residual technical and design skill upon which new SME's could be based. It is this transfusion of residual, talent into new SME's that will increasingly characterize the Sector in a symbiotic relationship with the new industrial giants.

7.5 A Fusion of Traditional Skills and New SME's

Evidence of some embryonic developments in this respect is beginning to appear. As observed above, the blouse making company is making highly desirable products for the tourist market. Another company is making 'casual smart' men's sports shirts for the same market. The questions arise: what is the current capacity of these and possibly other companies; and could they with documentation and other assistance begin to think in terms of exports in general and AGOA in particular?. Some such articles appear down the handicraft route but may be too uneven and inconsistent in quality in many cases, to be acceptable to the developed country buying houses.

Thus there is an emerging *passage of a traditional design skill*, beginning to appear in apparel of good exportable design and, with all that this might imply in terms of job creation, gender, regional development, Gross Domestic Product (GDP) contribution and so on. Similarly, potential passages might develop with respect to Grouping 9

products. Some official qualification guidelines with respect to the latter, are as follows:

- ‘Section 112 (b) (6) of the AGOA provides for the duty-free treatment of hand-loomed, handmade, or folklore goods of a beneficiary sub-Saharan African country that are certified as such by the authorities of the country. It also requires that the United States to determine which, if any, particular textile and apparel goods shall be treated as hand-loomed, handmade, or folklore goods, after consultations with the beneficiary sub-Saharan African country concerned’(14)

Further guidance is given by the following:

- ‘Eligible goods must be either (a) hand-loomed fabrics; (b) hand-made goods made of such hand-made fabrics; or (c) traditional folklore goods.....folklore articles are generally apparel, apparel accessories, or decorative furnishings. This part of the provision is limited and is intended to benefit producers making uniquely traditional and historical folklore goods. The shape and design of traditional folklore articles must be traditionally and historically from that country/region’(15)

In the official AGOA Summary Sheet, Grouping 9 is proscribed as:

- Handloomed fabrics, Handmade articles made of handloomed fabrics, or textile folklore articles – as defined in bilateral consultations’(16)

7.6 Interpretation of Grouping 9

What may be eligible/ineligible under Grouping 9 is, however, not quite as straightforward as the above might seem. There may be a blockage, intentional or unintentional, deriving from cursory reading of the above. Questions may be posed. For example, much of the basic material worked upon by handicraft-orientated women’s groups is evidently machine woven and additionally in some cases machine printed. Such fabric was discerned from South Africa and France, with designs of ethnic appearance. The issue is of potential importance as printing capability exists in the Region, currently with low capacity utilization and it may prove feasible to construct new commercial synergies therein.

However, a production cost analysis at one of the larger and better known women’s groups employing over 200 persons in the greater Windhoek area and a further hundred in villages located in the North, revealed that over 55% of the total domestic textile product cost was added by the group, in over-embroidering, cutting, overlocking, segment padding, tassling and in other decorative ways. In the case of other products this subsequent added value is in the region of 70% or more.

Hence, greater passage of domestic household textiles and furnishing fabrics might be facilitated by insertion of ‘predominantly hand made’ into the qualification rules. This line might be drawn at say 50%, or 66% but a figure in this region could unlock a huge Grouping 9 potential. Some urgent review/clarification would be extremely

relevant to the current broad-based development efforts in Namibia and elsewhere in the Region.

Beyond the few major Sector players there is obviously a need for greater information and clarification of the opportunities provided by AGOA, whether for industrially-produced or predominantly hand-produced articles. Companies were identified that might so benefit.

8. Recommended Actions by the Hub

The following future Hub actions could be of value over the emergent comprehensive Sector in Namibia:

1. **Visit to Ramatex** re. verification of such points as indicated above. Two appointments were fixed and both were cancelled. A Questionnaire was left with another Consultant who was (again) hoping to visit, on this occasion on Monday 1st December. Training and Productivity needs would be included. (Ref. Workplan task 2.2 .3).
2. **Visit to MTI (Investment)**, concerning points as indicated above and in particular verification regarding progress with the Ministries' Sector Action Plan, including the status of the two new manufacturing and Ginning JV possibilities. (Related to Workplan task 2.2 4).
3. **Visit to MTI (Trade Promotion)**, with regard to expediting Grouping 9 exports, pre or following one-day Workshops, Further identification of companies for coordinated efforts under AGOA mainstream and/or under Grouping 9. (Relates to Workplan task 2.2. 5).
4. **Visits to SME's** identified during last day of this trip, to ascertain in greater detail, capacities and potentials for export whether under AGOA mainstream or Grouping 9 provisions. (Relates to 2.2.3) and 5, e.g. see List of Persons/Companies seen). Also to determine BDS needs.
5. **Visits to Rhino Garments, Tai Wah and any significant SME's** that might usefully have place in Regional Supply and Demand database. (Relates Workplan task 2.2.1).
6. **Visits to Ministry of Agriculture and other Cotton Growing Stakeholders** to ascertain status re proposed Gins (workplan task 2.2.4); to obtain details of the Cotton Development Program; to acquire production and yield statistics; and ascertain real constraints to production, processing and marketing.

7. Grouping 9 Companies

The grouping 9 companies in Namibia are sufficiently organized to respond to sophisticated markets like the USA. They are already exporting to Europe with a few with good going into the USA. The models for collective marketing and organising demand driven production are key factors that the Hub should catalyze. The companies are anxious to get concrete information on markets. While the focus would be on niche markets, they have positioned themselves to respond to limited large orders for specific products i.e. basket making and embroidery. Since most of the grouping 9 companies involve women, we learned that the Ministry of Women's' Affairs is keen to promote women businesses and would be keen to participate in Hub organized activities. The team was however unable to meet with the ministry. The Hub will ensure their involvement in the planned Marketing Information Sessions

for grouping 9 companies next year. The sessions for Namibia should include among others;

- ✍ Information on duty drawback on finished products for export when raw materials are imported
- ✍ Discussions with traders on the options of bringing the cost of transportation down
- ✍ Collaborative ways of getting market information and producing to client specifications using the Penduka and Rossing models
- ✍ Strategies for collaborating to meet limited large orders from Namibia and options for linkages with other SACU countries
- ✍ Possibilities for participation in the Ministry of Trade and Industry Export Marketing Assistance Programme (EMAP) for Manufacturers
- ✍ Identified information on actual US buyers for possible business linkages.

It is very appropriate to note here that Ambassador Kevin McGuire, along with his principal Economic and Commercial Officer, David McCawley, accorded one and a half hours for a most constructive discussion. He particularly asked that both should be kept in the loop regarding Namibia, for example, copies of mails to AID Namibia and anything else Regionally significant within the relevant provenance of the Hub.

References:

- (1) Re: Hub Assistance to Lesotho, Namibia and Swaziland. RAPID memo. to USAID Missions in Lesotho, Namibia and Swaziland, R.Stryker, Ms. Makanza, 21st October 2003.
- (2) Subject: Hub Assistance to Namibia. Memo to Ambassador Kevin McGuire from R.Stryker, date unspecified but pre-Stryker visit, 18 November 2003
- (3) RAPID, SOW for John Cockcroft, 5 November 2003 – 6 December 2003.
- (4) SAGCH, Second Annual Workplan October 2003 – September 2004, Submitted to Regional Center for Southern Africa, US Agency for International Development, Gaborone, Botswana, 24 November 2003
- (5) NAMIBIA: Textiles set to Create 20,000 Jobs in Three Years, www.bharattextile.com 7 July 2003, p.1
- (6) Ramatex ‘knits’ its intentions in Namibia, *ibid* (?) 7 July 2003, p 1 .
- (7) NAMIBIA: Ramatex Makes Further Demands for Expansion, *ibid.*, 7 July 2003, p.1
- (8) NAMIBIA: Ramatex Given Ultimatum, *ibid.*, 7 July 2003
- (9) *Ibid.*
- (10) Ramatex Makes Further Demands, *op.cit.* p.2
- (11) ‘Knits’, *op.cit.* p.
- (12) *ibid.*
- (13) *ibid.*
- (14) AGOA: Treatment of Handloomed, Handmade, and Folklore Products. Explanatory paper provided by Allan Goodman, ST AGOA Expert at Hub.
- (15) *ibid.*
- (16) African Growth and Opportunity Act, AGOA Summary Sheet, Prepared by Brian F. Fernessy, USCS/TEOD
- (17) Ministry of Trade and Industry Brochures: “Namibia Exports”, “Namibia: Stable, Profitable and in Touch with the World”
- (18) Administrative Guidelines of the Ministry of Trade and Industry for the Export marketing Assistance Programme (EMAP) for Manufacturers
- (19) Namibia Trade Directory, 2003

List of Persons Seen

Freddie U. !Gaoseb, Deputy Director. Manager: Projects and Evaluation, Ministry of Trade and Industry, gaoseb@mti.gov.na Cell: 204 81 124 5508

Manager, Namibia, Fashion World Chain (RSA with 100+ stores in Region), Independence Avenue, Windhoek. (RSA phone number 012 666 7302)

Mr. & Mrs. Nirvin Morar, Proprietors, Chelsea Fashions, Independence Avenue, Windhoek (the largest multi-purpose textile shop in Namibia, founded 22 yrs ago)

Kevin J. McGuire, Ambassador of the United States of America to the Republic of Namibia.

David R. McCawley, Economic and Commercial Affairs Officer, Embassy of the United States of America, Namibia
Email: MCCAWLEY@STATE.GOV

Werner L. Milke, Proprietor, Bushman Art Gallery cc. African Art Museum.
Email: bushmanart@iafrica.com.na.

Amunyela Nicofermer, Senior Trade Promotion Officer, Directorate of International Trade, Ministry of Trade and Industry, Namibia.
Email: amunyela@mti.gov.na

Emmanuel Oumeni, Executive Chairman, Jireh Ginning, Namibia. Tel.: o81 127 0025. Cell: o61 238 824.

'Penduka' Crafts, nr. Windhoek. (Translated means wake-up call for gender)
Email: penduka@namibnet.com

Ms. Karin le Roux, Programme Manager, Crafts, Rossing Foundation, nr. Windhoek
Email-kleroux@rf.org.na

Ms Anita Brandt Oshiwa Crafts and Framing, 8Sinclair Street, Windhoek
Email: oshiwa@mweb.com.na

Diane Eames, SMEs Compete, 17 Nachtigal St., Windhoek, Namibia (Sigma One)
Email: deames@sigmaone.com.na

Organizations Noted for Further Investigation

a. Factories/Shops

Namibian Garments

Tuli (very good embroidered ladies' blouses)

Spirit of Africa (T-Shirts etc.)

Victory Sports vicsport@iway.na; 061 24 7428 (Smart-casual menswear)

Union Mills, (School uniform manufacturers) (No calls answered)

b. In Namibian Craft Centre (Selection from 26 stalls, Tal St., Windhoek)

Ikehoba (Overprinted domestic textiles)

Savannah (Boutique)

Anin, (Hand embroidered Bed linen and Textiles) anin@mweb.com.na

Lord J. Dyeing Project (Small but piece goods and clothes)

Oasa Taradi Needlework, (Embroidery- 'Busy Women' Co-operative)

Ibenstein Carpet Weavers (very good): gebhardt@ibenstein-weavers.com.na. Factory is near. Dordabis 100 km. SE of Windhoek

Weavers Guild of Namibia, Swakopmund

Ministry of Women's Affairs

Ministry of Agriculture