Making Business Advocacy Work: The Namibian Experience

A COUNTRY PAPER
CONTRIBUTED BY
THE NAMIBIAN STRATEGY TEAM
Introduction:

The Namibian Manufacturers Association (NMA) since its conversion to a Section 21 (institution not for gain) during May 2002, has primarily focused on advocacy matters, amongst others factor input costs (energy), the advent of Team Namibia’s “Naturally Namibian” initiative, an assessment of the Competition Act # 2 of 2003, the support of the Namibia/Angola Bilateral Trade Agreement of March 2004 and the establishment of the MTI/NMA Trade Advisory Committee, during November 2003.

What follows is a brief summation of action taken and some short-term results.

1. Factor Input Costs:

During July 2002, following the establishment of the Electricity Control Board (ECB) (statutory body under the auspices of the Ministry of Mines & Energy) the NMA submitted comparative industrial and household kWh unit costs of similar sized towns in South Africa serviced by Eskom. The association’s strategy was to lobby the ECB, prior to negotiating with the Windhoek Municipality, in anticipation of positive negotiations between Namibia Power Corporation (Nampower) and the Electricity Supply Commission of South Africa (Eskom).

Additionally, the NMA has commissioned an electrical engineering consultancy to tabulate the impact of both peak and off-peak energy costs on key packaging and food-processing manufacturers operating a various levels of capacity, profitability profile and the cost of producing surpluses for new/existing markets.

Findings indicate that manufacturers are paying a premium, as opposed to households within the Windhoek “economic zone”. Furthermore EPZ registered companies do not enjoy preferential power tariffs, either in Walvis Bay and Windhoek, apart from the fact that most utilities had not adequately marketed the off-peak tariffs. Through the Trade Advisory Committee (Adcom) a conduit has been established with the Directorate of Industrial Development, to evaluate the current incentives/abatements structure under the Foreign Investment Act of 1990, apart from tax concessions for new plant and equipment brought into Namibia, under the auspices of “Manufacturing Status” provisions.

Some lessons learnt include the need for quarterly “energy conservation” data, which would be incorporated into the monthly Business Confidence Index, managed by the independent Institute for Public Policy Research. Furthermore, there is a need to develop an early-warning system ie. to encourage businesses to decentralize or take up EPZ status before the 40 % plus escalation factor by Eskom, is imposed during 2006.

2. “Naturally Namibian” initiative:

This project formally the “Buy Namibian” campaign, which only served the interests of selected Namibian manufacturers and retailers “at large”, has successfully been converted into a broad-based, national drive to include the four primary sectors of our economy, the services sector and the emerging SME constituency.

Whilst the focus is largely on domestic support and representation during phase 1, the ultimate objective is meaningful market access within the SADC grouping, apart from the “high profile” alluvial diamonds sold through the CSO, Namibia’s boneless beef quota to the EU, Ramatex Textiles exports to the US market within the AGOA programme, hake exports primarily to Spain and other beneficiaries of the FFI exchange for central Europe and our “table grapes” marketed through the DOLE network during late November in Europe.

In short, the membership “bidding process” was completed during June 2004, a small secretariat established, designs and trademarks registered, with the advertising campaign currently being developed. This initiative was launched by President Nujoma on 31 March 2004, with a degree of support by the Ministry of Trade & Industry, by virtue of the Namibia Chamber of Commerce & Industry’s leadership role.
Short-term membership and enrolment objectives have been met, however the diversity objective remains elusive. Ongoing efforts are being made to converge this project with the Ministry of Trade's own “National Label” programme for active exporting companies, such as Ramatex Textiles Namibia and Pescanova Fishing to pursue. Additionally, the NMA continues to lobby both the NCCI and the Ministry of Trade to help rationalize their respective efforts, though the Trade Advisory Committee to MTI.

Clearly it is more prudent to develop the brand, based on a sound premise of “organic, veld-nourished” beef, “Reinheitsgebot” endorsed Namibian beer and sustainably-cropped venison sourced from conservancy areas, though a demand-driven private sector initiative, as opposed to waiting for a statutory body to set the pace and market Namibia generically-speaking.

3. Namibia’s Competition Act of 2003:

During the course of 2002, two NCCI Standing Committees (Trade & Investment) and (Economic Affairs) partially monitored the Competition Bill and it’s passage through the National Assembly/National Council. Timing by government, in the light of similar developments in the region and the pending SADC “free trade area” by 2008, amongst other factors resulted in insufficient time and attention being applied by the Parliamentary Standing Committee on Economic Affairs. By April 2003 the Act was promulgated.

In an attempt to assess the impact on “Business Namibia”, following promulgation, the NMA in collaboration with the NCCI conducted a rudimentary assessment of the Act, with an independent evaluation conducted by the Deputy-Chairperson to the “Commercial Matters” standing committee of the Law Society of Namibia. This culminated in a set of proposed amendments to the Act, for consideration by Minister Nyamu.

Against the background of “price suppression”, unconventional transfer pricing, skewed economies of scale and unfair trade practice largely emanating from South Africa, the following amendments amongst others are proposed. That the private sector enjoy at least 40% representation on the Competition Commission, minimum thresholds to market dominance factor to be lowered, implications where exemptions in non-sustainable cases are disallowed, the incorporation of the UN Set of Principles & Rules on Competition, as an addendum and merger entry thresholds.

It is clear that private sector interest was not initially well articulated, however the subsequent “joint-venture” approach by the NCCI and NMA, using the EU/TIDP programme as leverage and a close working relationship between an independent law firm and the Directorate of Internal Trade was the optimum approach, during the period where the Act was awaiting the appointment of the Commission, who in turn will draft the regulations.

The lesson learnt being, always assess the Bill following the “first reading” in both Houses of Parliament and always show leadership in a “joint-venture”, especially when portfolios are not clearly defined.

4. Namibia/Angola Bilateral Trade Agreement:

Following approval by SACU members, Namibia entered into negotiations with Angola, following substantive increase in import duties, which in the case of Namibian beer surged to 62%, during mid-February 2003. The rationale and timing of this tariff barrier is fully understood, when one considers past practices apart from the need for the country to generate it’s own revenue for redevelopment purposes. Angola has an antiquated brewing industry, that suffers under capacity constraints, however is showing a resurgence.

The NMA lobbied the Ministry of Trade, specifically to list all registered Namibian manufacturers, with import-duty limits set for consideration, based on the HS six digit classification system. The agreement was signed during March 2004, with the Namibian Parliament concluding it’s ratification, however we still await same by Angolan Parliament.

This initiative has galvanized the NMA membership, to the point where investment and strategic alliances are developing in the Huila, Benguela and Cunene Provinces of southern Angola,
as opposed to the high-risk approach of entering the Luanda market. Ongoing advocacy in establishing a Namibian Consortium warehousing facility in Luanda, once the due diligence survey is complete is making good progress. Some lessons learnt include amongst others, not to use FAA military transport facilities for commercial transactions, do not sign property title-deeds unless verified by “Bureau Unique”, the Provincial Governor and Police Commissioner and do not use the Port of Luanda during the rainy season.

It is clear that the MTI/NMA Trade Advisory Committee has been the conduit and platform for inputs listed above, in addition to providing the Agricultural Trade Forum with access to table their concerns regarding SPS measures, tariff quota regimes and constantly changing animal/plant health standards. Ongoing convergence of lobbying activities is well underway.

Conclusions:

The intention is to convert the MTI/NMA Trade Advisory Committee into the Export Promotion Agency at some future date.

With the dissolution of the Namibia Chamber of Crafts during August 2004, various “Guilds” will soon resort under the NMA’s leadership, which in turn should attract the “progressive element” within the SME sector, thus strengthening our constituency further.

Without proposing a Confederation “model”, which is both premature and ill advised at this time, the approach should remain as “organic alliances” with the NMA focusing on practical issues including National Labels, franchises and market access, whilst the NCCI should continue to operate at both the “regional chamber” movement level and policy review.