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NAMIBIAN BUSINESS AND INVESTMENT CLIMATE SURVEY

## 2011

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# Key Findings

## General economic conditions

- Businesses expect the general economic conditions in 2011 to be more positive than in 2010 and in 2009.

## Obstacles to business growth

- Access to and the cost of finance remains the major hurdle for micro enterprises. Small, medium and large companies view the lack of skills as their main challenge. The informal sector is negatively affected by the low demand for their goods and services.

## Regulatory business environment

- Obtaining work permits for skilled foreign nationals remains a major challenge for the formal sector and in particular medium and large companies. The informal sector faces a major challenge in enforcing contracts. Respondents also view access to un-serviced and serviced land for business as difficult.

## Finance

- The cost of credit is seen by all companies, but in particular micro enterprises and the informal sector, as a big challenge. Access to credit remains a challenge for all, except medium and large enterprises. Providing collaterals is likewise seen by most business as difficult.

## Health and education

- Overall business people are quite satisfied with the quality of health services provided. However, the rating dropped compared to the previous namBIC 2009 report.
- Medium and large and to a lesser extent small companies are not satisfied by the quality of educational services provided in the country, while micro enterprises and the informal sector are satisfied.

## Infrastructure

- The reliability of potable water and electricity supply is rated across the board as quite good. Respondents also rated the transport infrastructure as good. However, there are regional differences, with the Kunene region in particular lagging behind other regions.

## Research and Development

- Only 11 per cent of all companies spent money on Research & Development in 2010.
- It is of particular concern to note that medium and large enterprises show less interest in investing in Research & Development in 2011 than smaller companies, since it is usually assumed that larger companies have more financial resources at hand to develop new products.
- Against this background, it is not surprising that Namibia ranks relatively low in international standards regarding company spending on R&D. According to the Global Competitiveness Report Namibia holds place 90 out of 139 countries.

## Government services and public administration

- Crime is perceived in general as a problem, but the rating has improved compared to the namBIC 2009 report.
- Business people view the participation in the public tender processes as not easy, although the rating has improved compared to 2009. In particular medium and large enterprises are not satisfied with the process.

- Public officials hardly approach the business community for bribes. However, the informal sector experiences more incidences of corruption than the formal sector. Furthermore, the rating has declined compared to 2009 indicating an increase in incidences of corruption.

**Gender issues**

- Business life is generally harder for women than men. They view the business environment as more difficult than men and rate the economic conditions less positively.
- Women are involved in informal sector activities more often than men. This could explain why they find it more difficult to enforce contracts, but on the other hand find it easier to obtain all documents necessary to operate their business.

## Foreword

The private sector, as well as the Government recognizes that it is of prime importance for Namibia to develop its economy in order to create new employment and to improve the living conditions of its people. This fact is recognised in national development targets contained in NDP III and Vision 2030.

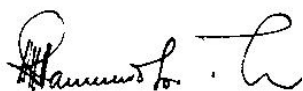
In an attempt to identify the developmental needs of the different components of the private sector, the Namibia Chamber of Commerce & Industry (NCCI) and the Namibian Manufacturers Association (NMA), together with the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) – initiated an annual Business and Investment Climate (BIC) Survey for Namibia in 2009. BIC surveys have become important instruments to improve the enabling environment for businesses, including SME's, as such surveys are able to identify the actual bottlenecks to business growth in a country.

Some of the factors identified in the first BIC survey to affect the businesses negatively were: the general shortage of skilled labour, difficulty to trade across borders, restrictive labour regulations, difficulty to access land for business

and the difficulty and cost to access finance. These and other problematic factors have been taken up in consultations with Government, and a number of follow-up studies are being executed to identify solutions to these factors. This process is on-going and will be adjusted according to the results of later surveys.

The second BIC survey has been finalised, providing clear findings and recommendations. It will now be possible to evaluate the effectiveness of the initial consultations with Government and to determine trends in factors influencing business growth. This will steer further actions by the private sector to address factors inhibiting business growth in Namibia. It is therefore another proud moment for the NCCI, the NMA and the GIZ, to present this second Business and Investment Climate Survey (NamBIC 2011).

For the continued production of this survey, it is also critical that private sector businesses provide adequate financial support to NCCI and NMA. We are looking forward to a sound, private sector-supported annual Business and Investment Climate Survey and to regular, results-oriented public-private sector policy dialogues.



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*President NCCI*



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# Introduction

The Namibian Chamber of Commerce and Industry (NCCI) together with the Namibian Manufacturing Association (NMA) decided in 2009 to conduct an annual Business and Investment Climate Survey<sup>1</sup> in order to gauge the perception of business people about the prevailing business climate in Namibia as well as to detect obstacles the business sector is facing. The information derived from the survey will help improve the business climate in the country and contribute to economic growth and employment creation. The intention is furthermore, to stimulate a public debate on the findings and in particular the challenges the business community in general or specific sectors are facing. After the results of the first survey were published in 2010, NCCI and NMA organised public private dialogues on the topics of scarcity of skilled labour and the process of obtaining work permits for foreign experts that were attended by high ranking policy makers from government and the private sector. It is intended to continue with these regular public-private dialogues in order to discuss topics relevant for the private sector and to enhance communication between the public and private sectors further.

## Methodology and sampling

The Institute for Public Policy Research (IPPR) was responsible for the questionnaire design, sampling of the companies and the analysis of the survey. Since the results of the National Enterprise / Establishment Census carried out by the Ministry of Trade and Industry in 2009 were not yet available, IPPR used the same sources for company information as for the first namBIC 2009, namely databases from industry associations and IPPR's own database. The random sample included 621 out of 968 companies. However, IPPR adjusted the sample slightly in order to have a sectoral representation that reflects the sector's contribution to GDP. This is possible up to a certain degree since there are only few players in some sectors, such as water and electricity supply, and because some sectors are not well represented in the available databases. The following Table 1 depicts the original sample, the

sectoral distribution of actual responses and the sector's contribution to GDP. While the actual responses by formal businesses resemble to a large extent the sectoral distribution of the original sample they often deviate significantly from the sector's role in the economy. The full sample, including informal businesses, is biased towards certain sectors owing to the strong presence of informal businesses in these sectors, such as the wholesale, retail trade and repair sector.

**Table 1: Responses and sample size of formal businesses by sector**

|  | Responses |          | Original sample |          | GDP contribution |
|--|-----------|----------|-----------------|----------|------------------|
|  | Frequency | Per cent | Frequency       | Per cent |                  |
| Agriculture                            | 2         | 1.1      | 7               | 1.1      | 5.4              |
| Fishing                                | 2         | 1.1      | 7               | 1.1      | 3.8              |
| Mining                                 | 6         | 3.4      | 30              | 4.8      | 10.7             |
| Manufacturing/Processing               | 48        | 27.1     | 145             | 23.3     | 14.5             |
| Water/Electricity                      | 3         | 1.7      | 2               | 0.3      | 2.7              |
| Construction                           | 11        | 6.2      | 42              | 6.8      | 4.0              |
| Wholesale/Retail trade/Repair services | 37        | 20.9     | 132             | 21.3     | 11.9             |
| Accommodation and Restaurant           | 7         | 4.0      | 27              | 4.3      | 2.1              |
| Transport/Communication                | 17        | 9.6      | 49              | 7.9      | 5.1              |
| Financial services                     | 23        | 13.0     | 47              | 7.6      | 4.6              |
| Real Estate/Renting/Business services  | 16        | 9.0      | 83              | 13.4     | 8.3              |
| Other economic activities              | 5         | 2.8      | 50              | 8.1      | 26.8             |
| Total                                  | 177       | 100.0    | 621             | 100.0    | 100.0            |

The survey attempted to cover all regions. However, some regions are not well represented in the sample owing to two factors, namely industry associations do not have a broad member base in these regions and the economies of these regions are not very diversified. NamBIC expects the National Enterprise/Establishment Census to be available for the next survey, which will improve the representativeness of the business sample across economic sectors and regions.

**Table 2: Responses and sample size of formal businesses by region**

|              | Responses |         | Sample    |         |
|--------------|-----------|---------|-----------|---------|
|              | Frequency | Percent | Frequency | Percent |
| Caprivi      | 7         | 3.9     | 19        | 3.1     |
| Erongo       | 28        | 15.7    | 85        | 13.7    |
| Hardap       | 7         | 3.9     | 21        | 3.4     |
| Karas        | 5         | 2.8     | 36        | 5.8     |
| Kavango      | 10        | 5.6     | 19        | 3.1     |
| Khomas       | 79        | 44.4    | 281       | 45.2    |
| Kunene       | 3         | 1.7     | 20        | 3.2     |
| Ohangwena    | 5         | 2.8     | 26        | 4.2     |
| Omaheke      | 5         | 2.8     | 21        | 3.4     |
| Omusati      | 1         | .6      | 4         | 0.6     |
| Oshana       | 8         | 4.5     | 32        | 5.2     |
| Oshikoto     | 12        | 7.3     | 41        | 6.6     |
| Otjozondjupa | 7         | 3.9     | 16        | 2.6     |
| Total        | 177       | 100.0   | 621       | 100     |

<sup>1</sup> Namibia Chamber of Commerce and Industry, Namibia Manufacturing Association, 2010, namBIC – Namibian Business and Investment Climate Survey - 2009

Survey Warehouse conducted the main survey of formal businesses from the end of November 2010 to the end of January 2011. 179 businesses finally participated in the survey. Most of them were interviewed by telephone, while a few opted to complete the questionnaire online. The responses by region reflect to a large extent the regional representation in the sample as illustrated in Table 2 above.

In addition to formal enterprises, Survey Warehouse interviewed 200 informal businesses face-to-face at four locations, namely Oshakati, Rundu, Walvis Bay and Windhoek.

## Rating

The survey collected information from formal and informal businesses on their actual investment and employment for 2010 as well as their plans for 2011. The questionnaire furthermore asked for their perceptions concerning the prevailing business climate in the country, the ease of registering their business and obtaining the necessary documents. Land for business, serviced and un-serviced, received a special focus since it has been identified in meetings of the business communities as one of the major barriers.

Business people were also asked to rate the policy and administrative environment that affects their operations, the access to finance and the adequacy of the infrastructure including health and educational infrastructure in their area.

Respondents had to choose a rating between the values of 1 and 5 where 1 indicated the worst and 5 the best rating. This rating was then translated into a scale from -2 to +2 to allow easier interpretation of averages. An average below zero indicates an unfavourable and an average above zero a favourable response.

## Business Characteristics

The survey attempts to gauge whether investment behaviour or the rating of the business climate and other areas covered by the questionnaire are related to certain business characteristics such as size in terms of employment provided, the formality of the enterprise and the gender of the respondent. The namBIC has chosen the sex of the respondent for the gender analysis rather than the sex of the owner since the perceptions of the respondent might not necessarily correspond with

that of the owner. When deemed appropriate, the analysis has also focused on sector-specific perceptions.

## Business registration

The survey asked businesses whether they are registered with the Local Authority (Municipality, Town Council, etc) and or with the Ministry of Trade and Industry (MTI). ***Informal businesses are defined as businesses not registered with MTI.*** While the majority of businesses interviewed were registered with either institution, more of them were registered with the Local Authority (68 per cent) than with MTI (53 per cent). Companies owned by women operate more often on an informal basis than male-owned enterprises. While the majority of female-owned businesses were registered with the Local Authority (53 per cent) not even a third (32 per cent) were registered with MTI. In comparison, 69 per cent and 54 per cent of male-owned enterprises were registered with the Local Authority and MTI respectively.

The larger the company in terms of the work force the more likely it is registered with the Local Authority and or MTI. Half of the businesses with up to 5 employees are registered with the Local Authority, but only 31 per cent with MTI. While enterprises with more than 50 employees are usually registered with both authorities, there are still some that are not. 89 per cent of enterprises with more than 50 employees are registered with the Local Authority and 92 per cent with MTI. The shares for companies with more than 100 employees are 89 per cent and 96 per cent respectively.

Sectors such as 'Other services' (e.g. hairdressers), 'Retail trade and repair services', 'Real estate and business services' and 'Transport' are characterized by a large share of informal businesses. 65 per cent of respondents providing 'Other services' are not registered compared to 64 per cent involved in 'Retail trade and repair services', 38 per cent in 'Real Estate and business services' and 35 per cent running a transport business.

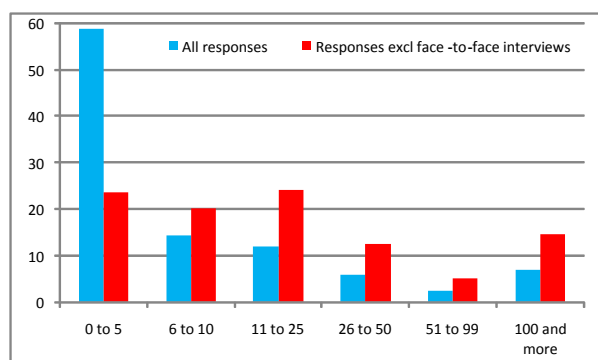
There is also a strong correlation between the number of years a business has been in operation and whether it is registered with one of these institutions. While only 18 per cent of companies operating for less than a year are registered with

MTI, 79 per cent of those in business since more than ten years are registered.

## Business size

Most of the businesses contacted by phone employed up to 25 employees. However, adding the business people who were interviewed face-to-face in the four informal market areas, the overwhelming majority of all respondents employ less than 5 persons (59 per cent), while 7 per cent provide jobs for more than 100 people.

**Figure 1:** *Share of respondents by number of employees*



The analysis refers to companies with up to 5 employees as micro-enterprises, with up to 25 employees as small enterprises, and grouped all companies with more than 25 employees into the category of medium and large enterprises.

Wholesale, retail trade and repair services, other services, accommodation and restaurants, and transport and communication are the sectors characterised by micro enterprises. Between 75 per cent and 65 per cent of businesses in these sectors provide jobs for up to 5 persons. On the other hand, large companies are mainly found in the fishing, mining and water and electricity sectors. These operations are usually run on a large scale and hence require a large work force.

## Ownership and years of operation

Half of the businesses that responded to the survey are private sector companies owned by men. 32 per cent are owned by women, while 17 per cent of the enterprises have various shareholders and two per cent are State-owned Enterprises.

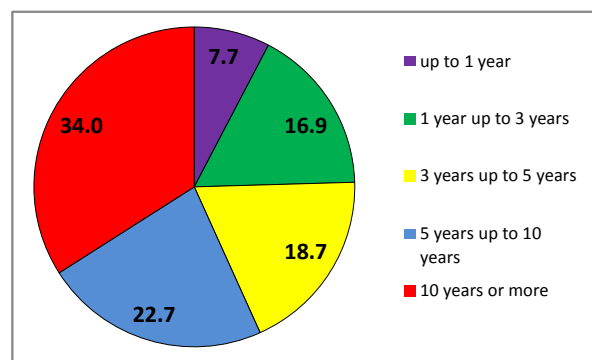
Women predominantly own micro-enterprises (86 per cent). Only five per cent of the female owners run medium to large companies. While a majority of male-owned companies also falls into the

category of micro-enterprises (58 per cent), more men than women operate small (29 per cent) and medium to large companies. Most of the large companies are owned by multiple shareholders.

Almost half (46 per cent) of all women-owned enterprises are involved in wholesale and retail trade activities compared to 44 per cent of businesses owned by men. Slightly more men-owned companies are engaged in manufacturing and processing activities than women owned (18 per cent compared to 17 per cent). Companies with multiple shareholders operate to a large extent in the manufacturing (28 per cent) and financial sectors (22 per cent) followed by wholesale and retail trade and transport and communication with 13 per cent each.

More than a third of all respondents have been in business for more than 10 years; while only a fraction (eight per cent) have been running their business for less than a year. Female and male-owned enterprises are almost equally represented among companies operating between one and ten years. However, more businesses owned by women have just started and less have been in operation for more than ten years than businesses run by their male counterparts.

**Figure 2:** *Years of operation*



## Business Confidence

The survey has used two sets of questions to measure the degree of business confidence in Namibia. One refers to the intention to invest and employ more people, which is a strong indicator of confidence, while the other set of questions refers to perceptions of business people concerning the conduciveness of the business environment in Namibia. Moreover, the degree of business confidence is also determined by the kind of investment undertaken. Investment in order to expand the business implies stronger confidence in

the growth potential of the economy than investment in replacing existing equipment. NamBIC was therefore interested in the type of investment planned, whether it is investment to expand, investment to replace or investment in Research & Development (R&D).

## Investment and employment plans

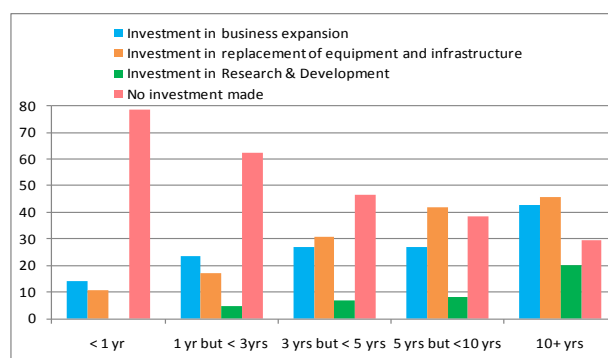
The survey asked business people whether they undertook investment in 2010 and whether they intend to invest in 2011. The respondents could rate their intention to invest between -2 (do not intend to invest at all) and +2 (will invest much more than average). 56 per cent of all companies invested during 2010, 35 per cent in replacing existing equipment and 31 per cent in expanding the business. Only 11 per cent of all companies spent money in Research & Development. It is therefore not surprising that Namibia ranks relatively low in international standards regarding company spending on R&D. According to the Global Competitiveness Report, Namibia holds place 90 out of 139 countries in this regard and place 96 concerning the whole spectrum of innovation of which R&D is just one factor (World Economic Forum, 2010:251)<sup>2</sup>. This is an area that certainly needs attention, since future competitiveness hinges also on improving business operations and developing new, innovative products and services.

It is not surprising that larger companies had a stronger appetite for investments in 2010 than smaller ones. 82 per cent of medium and large enterprises embarked on investments in 2010 compared to 70 per cent of small and 43 per cent of micro businesses. In addition, 42 per cent of informal companies compared to 69 per cent of formal businesses indicated that they have invested in 2010, mainly in the replacement of equipment. This indicates the important role the informal sector plays in the economy through its linkages to other economic sectors and its demand for inputs.

The decision to invest during 2010 was highly correlated to the age of the company. The longer the business has been in operation the more likely it was that it made significant investments as Figure 3 below illustrates. Furthermore, the age of the business also influenced the type of

investment. Companies operating for less than three years embarked on expansion rather than replacement of existing equipment, while older companies invested more in the replacement of equipment. This is plausible since the equipment of new businesses is usually still fairly new and the businesses are slowly expanding. Furthermore, the longer established enterprises invested in Research & Development most likely in order to stay in the market with new or improved products and to stay competitive.

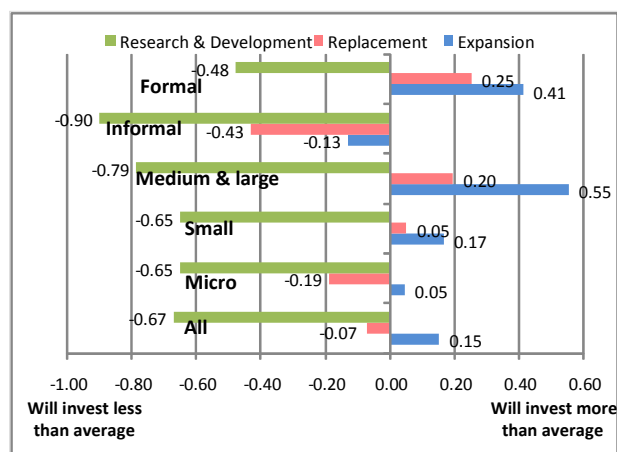
**Figure 3: Significant investment made during 2010**



Overall, companies intend to invest more than average in the expansion of their businesses in 2011, while investment in the replacement of equipment is slightly less likely. Small, medium and large companies focus predominantly on expanding the business in 2011, but intend also to replace existing equipment. Micro enterprises have less appetite (or financial resources) for expanding their business operations or replacing existing equipment (Figure 4). In general, investment in Research & Development is not one of the business sector's priorities for 2011. It is of particular concern to note that medium and large enterprises show less interest in investing in Research & Development in 2011 than smaller companies, since it is usually assumed that larger companies have more financial resources at hand to develop new products. Only companies in the mining and electricity and water sectors indicated they are planning to invest more than average in Research & Development in 2011. Closer cooperation and consultations between the business sector and tertiary education institutions could perhaps improve the situation. Not only do institutions of higher learning need to spend more resources on R&D at their own institutions they also need to adequately train students to become innovative entrepreneurs or employees after completing their studies.

<sup>2</sup> World Economic Forum, 2010, The Global Competitiveness Report 2010-2011.

**Figure 4: Intention to make significant investment during 2011**



Except for the agricultural, fishing and financial sectors, all other economic sectors plan to invest in the expansion of their operations. In particular the water and electricity and mining sectors are planning investments followed by the accommodation and restaurant sector. These are the same sectors that are also planning the replacement of equipment during 2011.

While micro enterprises in general plan to invest in the expansion of their businesses this is clearly driven by companies in the formal sector. Informal businesses have no intention to invest significantly into the expansion as well as the replacement of equipment.

There is good news for the labour market, though. 37 per cent of all businesses indicated that they increased their workforce during 2010 while only seven per cent laid off workers. Women-owned companies are apparently more conservative concerning recruitment of employees; only 30 per cent of them increased employment compared to 39 per cent and 45 per cent of male-owned and multiple shareholders companies respectively. However, they are also more reluctant to retrench employees since only three per cent indicated that they reduced their workforce, while for other types of ownership the share ranged between 9 per cent (male-owned) and 14 per cent (parastatals).

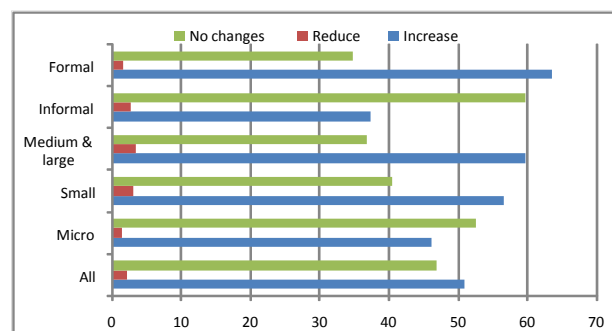
In particular medium and large companies (63 per cent) offered additional jobs, while small businesses are leading in terms of retrenchments (11 per cent). The workforce of informal businesses remained more stable throughout 2010 than that of formal enterprises. The number of employees did not change for 71 per cent of

informal enterprises compared to 41 per cent of formal businesses.

The prospect for employment creation remains encouraging. Most companies plan to expand their labour force during 2011, while only very few plan the opposite. Medium and large companies stand out in both aspects: 60 per cent of them responded that they intend to increase their workforce, while 3.5 per cent indicated that they are going to reduce it. Both of these shares are higher than for other business sizes. Most of women-owned businesses (53 per cent) are not going to change the size of the workforce, but 3.3 per cent of them intend to lay off workers. Hence, the probability of retrenchment is higher for women-owned businesses than for other businesses.

It is also good news for the unemployed that job creation is expected to take place in the formal rather than the informal sector, since formal sector employees usually benefit from better working conditions. 64 per cent of companies registered with MTI plan to provide additional employment compared to 34 per cent of businesses not registered.

**Figure 5: Intention to increase employment during 2011**



The decision to increase the labour force is strongly correlated to the decision to invest in expanding the business. Companies intending to increase employment rated their intention to invest in 2011 more positively than companies that plan retrenchments. The intention to invest received a rating of 0.8 on the scale from -2 (do not plan to invest at all) to +2 (invest significantly above average) for enterprises that intend to increase the labour force as compared to -0.5 for companies planning to reduce the workforce. Asked why they do not plan to employ more personnel, the overwhelming majority responded that they do not plan to expand their economic activities (74 per cent), while some also indicated

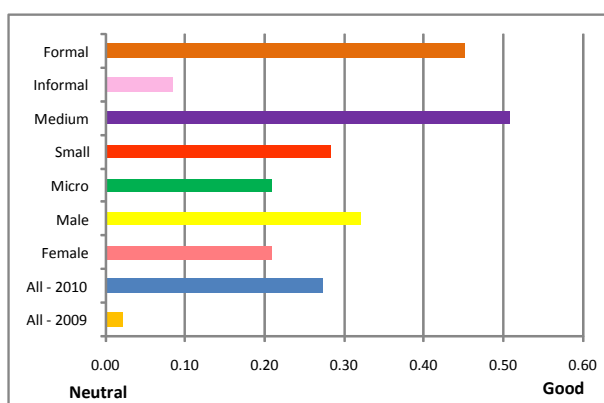
the lack of skilled workers (17 per cent) and restrictive labour regulations (seven per cent).

The lack of skilled workers appears to hinder employment creation in all sizes of companies, while in particular small businesses and to a lesser extent micro enterprises cite labour market regulations as a reason for not increasing the workforce. However, this is not an issue for medium and large companies. Formal and informal businesses do not differ much in terms of ranking the reasons for not employing more people. Although it was expected that labour market regulations would not be of concern for the informal sector, 7.3 per cent of them mentioned this as a reason. This is almost exactly the same share as for formal sector responses (7.5 per cent).

## General economic conditions

Businesses perceived the general economic conditions in 2010 more positively than in 2009. The average rating for 2010 stood at 0.3 on a scale from -2 (very poor) to +2 (very good) compared with a rating of 0.02 in the namBIC 2009. Particularly, medium and large businesses are quite satisfied with the business climate (rating of 0.5), while micro and small businesses are somehow satisfied. Male respondents were more positive about the prevailing conditions than their female counterparts. The difference in perceptions between the formal and informal sector is striking – a rating of 0.45 compared to 0.08 respectively.

**Figure 6:** *Rating the economic conditions in 2010*

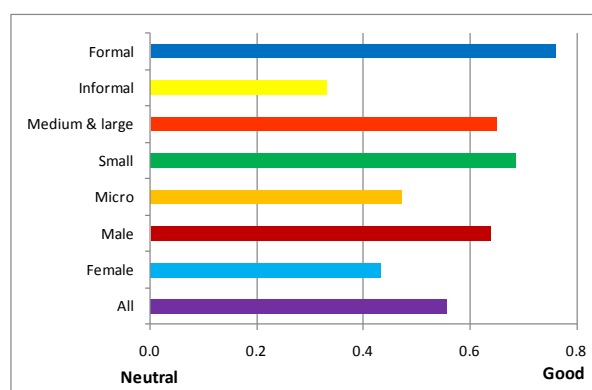


Although they were the front runners in terms of additional investment and employment, companies involved in mining activities rated the economic conditions as slightly negative (rating of -0.18) while businesses in the real estate and

business services (0.69), water and electricity (0.67) and construction sectors (0.46) were quite upbeat about the economic environment.

The rating of the expected business conditions in 2011 is even more positive with an average of 0.56 than for 2010. It is encouraging that the informal sector views the prospects also as positive. However, businesswomen are again trailing businessmen, while small businesses are leading the positive mood. It is the same economic sectors that have an optimistic – or pessimistic – view on the future that rated the conditions favourable – or negative – in 2010.

**Figure 7:** *Expected economic conditions in 2011*



## Factors affecting businesses negatively

Despite the positive mood in general, there are a number of factors that affect the business and investment climate negatively. Businesses were asked to rank the three most relevant factors out of a list of ten. The most relevant factor received a weight of three points, the second most important a weight of two points and the third most important a weight of one point. These scores were added and the total score finally determined the ranking of these factors.

Three factors dominate the first three ranks across various types of businesses as Table 3 below illustrates. **Access and cost of finance** remains the major concern for all companies that responded to the survey. Businesses headed by women and micro enterprises identified the factor as the most important one, while all other companies except medium and large enterprises ranked it as the second most relevant factor. Although financial institutions have designed financing options specifically targeting the SME sector and the FIDES Bank (micro-lending institution) started its operations in the north in early 2010 the challenge

to reach out to SME businesses remains. But even with improved access the cost of credit would most likely remain a major barrier to actually access finance.

The formal sector and specifically small, medium and large enterprises rate **the lack of skills** in the country as their major concern. Since the previous namBIC 2009 identified the lack of skills as a major challenge, NCCI and NMA organised a Public-Private Dialogue with representatives from government and the private sector. While this is a good beginning, concrete action and follow up is required to address this issue. Furthermore, the Namibia Employers' Federation financed a study on skills shortages in the country that was published at the end of 2010<sup>3</sup>. The findings of this study underline the extent and seriousness of the lack of skills. 88 per cent of the respondents agreed with the statement that there is a skills shortage in the country. 45 per cent rated the situation as very severe and 51 per cent as severe. Not surprisingly, 70 per cent of the businesses have vacancies for skilled workers (Links, 2010:6 and 7). These findings are completely in line with the Global Competitiveness Report. The inadequately trained workforce tops the list of the most problematic factors of doing business in the country (World Economic Forum, 2010:250).

In the short term the speedier approval of work permits for foreign experts could ease the situation. The Ministry of Home Affairs and Immigration sets itself the target to reduce the period for reviewing visa applications from 90 days to 60 days by 2014, which still appears to be a long period. Furthermore, programmes and courses at Vocational Training Centres and other tertiary institutions need to be reviewed in accordance with the demand of the labour market. In addition, the private sector needs to design apprenticeship programmes with the aim to introduce school leavers to the workplace and provide them with hands-on training.

The **low demand for their goods and services** is of concern to the informal sector and micro enterprises. This can be explained with low entry barriers to certain economic activities micro-enterprises are involved in that allow for a high concentration of businesses in these sectors and low levels of sophistication and diversification in

the products offered by these businesses. The informal sector apparently needs assistance in identifying innovate products and services as well as niche markets. There is also a need to review regulations and by-laws of local authorities that stifle the development of informal entrepreneurs and bar them from providing goods and services where the demand is.

**Crime and theft** pose another challenge mainly for micro businesses and the informal sector, as it is ranked as the fourth most negative factor by all businesses. This is in line with findings by the IJG Retail Confidence Survey published by IPPR that regularly states the concerns of business people about the losses owed to theft and crime<sup>4</sup>. The extent of theft and crime affects also Namibia's international competitiveness ranking. Based on the Global Competitiveness Report, Namibia ranks 107 and 75 out of 139 countries in terms of business costs of crime and violence and organised crime respectively and hence well below her overall ranking of 54 (World Economic Forum, 2010:251). The Government is aware of these challenges and has allocated substantially more financial resources to the police over the next three years, among others to purchase the equipment needed to address crime more effectively. However, the society at large needs to work more closely with the police and support them in their endeavour. The cooperation between farmers who are affected by stock theft and the police could serve as an example how citizens can get involved in curbing crime.

**Table 3: The five factors affecting the business and investment climate most negatively**

|                  | 1                                    | 2                                    | 3   | 4                                     | 5                                    |
|------------------|--------------------------------------|--------------------------------------|---|---------------------------------------|--------------------------------------|
| All              | Access to and cost of finance        | Low demand for products and services | Scarcity of skilled labour                      | Crime and theft                       | Distance to markets                  |
| Female           | Access to and cost of finance        | Low demand for products and services | Crime and theft                                 | Scarcity of skilled labour            | Distance to markets                  |
| Male             | Scarcity of skilled labour           | Access to and cost of finance        | Crime and theft                                 | Low demand for products and services  | Distance to markets                  |
| Micro            | Access to and cost of finance        | Low demand for products and services | Crime and theft                                 | Distance to markets                   | Cost of utilities                    |
| Small            | Scarcity of skilled labour           | Access to and cost of finance        | Quality of services delivery by public servants | Distance to markets                   | Cost of utilities                    |
| Medium and large | Scarcity of skilled labour           | Labour market regulations            | Access to and cost of finance                   | Public tender and procurement process | Low demand for products and services |
| Informal         | Low demand for products and services | Access to and cost of finance        | Crime and theft                                 | Cost of utilities                     | Scarcity of skilled labour           |
| Formal           | Scarcity of skilled labour           | Access to and cost of finance        | Distance to markets                             | Crime and theft                       | Low demand for products and services |

The **taxation system** is of little concern to companies. It is ranked throughout all types of

<sup>3</sup>Links, Frederico, 2010, Namibia's Skills Deficits: Cross-Sectoral Perceptions and Experiences, available online: [www.ippr.org.na](http://www.ippr.org.na)

<sup>4</sup> Institute for Public Policy Research, 2010, The IJG Retail Confidence Survey (various quarters).

businesses at place ten, and hence is regarded as the least negative factor on the list. Again, the Global Competitiveness Report rankings correspond with the namBIC findings. Namibia can hardly do better regarding the total tax rate (rank 2 out of 139) and features favourably regarding the extent and effect of the tax rate (rank 33 out of 139) (World Economic Forum, 2010:251). The **public tender and procurement process** is of concern for medium and large companies but not for micro and small enterprises.

## Regulatory Business Environment

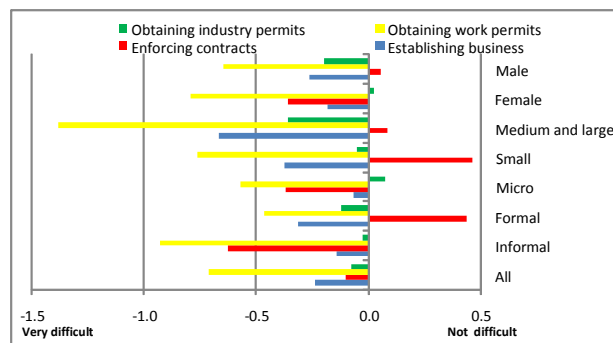
The business and investment climate is influenced by the regulatory environment. The survey therefore asked the business community about their perceptions regarding regulatory requirements. Except for enforcing contracts, other aspects of the regulatory environment received negative ratings. The scarcity of skilled labour identified above as a major obstacle for businesses is further compounded by the challenges of obtaining work permits for foreigners. The size of the company determines the rating of the ease of obtaining work permits. Medium and large businesses find it very difficult to obtain work permits (rating of -1.4 on the scale of -2 (very difficult) to +2 (not at all difficult)), followed by small companies (rating of -0.8) and micro enterprises (rating of -0.6). Informal businesses perceive the process as even more cumbersome than formal businesses. This is surprising since informal businesses are by definition not registered and therefore usually do not feel bound by the regulatory framework. Furthermore, the fact that a lot of informal traders perceive obtaining work permits for foreigners as a challenge indicates that the responses to this question by micro enterprises have to be treated with some caution. Despite this qualification, the issue of obtaining work permits for foreigners needs urgent attention, since it received the most negative rating by all companies, especially the medium and large enterprises.

Establishing a business in Namibia is also perceived as being challenging by all companies, but in particular again by the medium and large companies. The finding is supported by international surveys, such as the Doing Business

survey conducted by the World Bank. It ranks Namibia on place 124 out of 183 countries in its most recent report (World Bank, 2010:182)<sup>5</sup>. Informal businesses view the process of setting up their business as less challenging than companies in the formal sector. This is certainly owed to the fact that business people in the informal sector hardly register their business or register it only with the Local Authority. The establishment of one-stop-registration centres could be considered. These centres accommodate competent staff from Local Authorities, MTI and Ministry of Finance and provide all necessary forms and revenue stamps so that business people receive all necessary information and documents at one place. Such centre would curb costs for and time of business registrations considerably.

Obtaining industry-specific permits poses a challenge to all but micro enterprises. Again, informal businesses are less concerned about obtaining these permits than their counterparts in the formal economy. On the other hand, micro enterprises struggle more than small or medium and large companies to enforce contracts. Due to the informality of their activities, businesses operating in the informal sector find it hard to enforce contracts, while formal businesses are overall satisfied with the process. The positive rating of the ease of enforcing contracts corresponds with the rating of Namibia's judiciary in other surveys. The Global Competitiveness Report 2010-2011 for instance, ranks Namibia on place 23 out of 139 countries regarding the independence of the judiciary (World Economic Forum, 2010:251). Likewise, the World Bank's Doing Business report places Namibia on rank 41 out of 183 with regard to enforcing contracts (World Bank, 2010:182).

**Figure 8: Rating the ease of fulfilling regulatory requirements**



<sup>5</sup> World Bank and International Finance Corporation, 2010, Doing Business 2011.

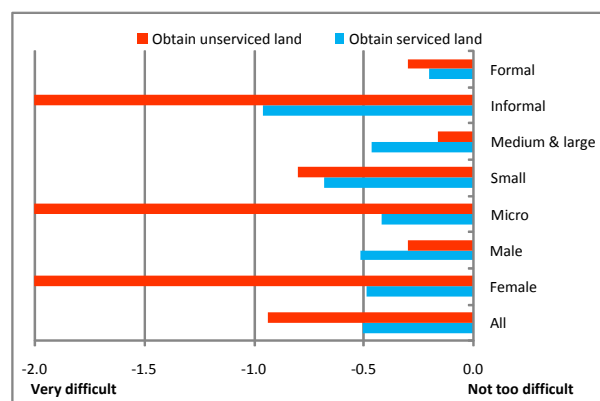
Women find it much harder to enforce contracts than men who do not really have problems with it. On the other hand, women view obtaining industry-specific permits as not difficult, while men raise concerns about the process. It could be that businesses run by women do not require specific permits or they require permits that are easier to obtain than for economic activities mainly pursued by men.

Business people identified access to land as a major obstacle in the namBIC 2009. The namBIC 2010 survey therefore attempts to assess to what extent businesses are in need of serviced and un-serviced land for business purposes and how they perceive the process of obtaining it. One third of all companies indicated that they are in need of serviced land, while four per cent are looking for un-serviced land. In particular small and micro enterprises need access to serviced land (38 per cent and 32 per cent respectively). Un-serviced land is in higher demand by medium and large companies (11 per cent) than by small (five per cent) and micro enterprises (two per cent). That size matters regarding the need for serviced or un-serviced land is an indication for the lack of financial resources of smaller businesses to develop un-serviced land. 51 per cent of micro enterprises and 45 per cent of small enterprises state the cost of land as the main cause for not obtaining land, while for 40 per cent of medium and large companies bureaucratic procedures required to obtain land are the main obstacle. The availability of land is regarded as another major factor prohibiting companies from acquiring land. Again, the size of the business matters. While 34 per cent of micro enterprises identified the availability of land as a challenge, this was the case for 28 per cent of small and for 24 per cent of medium and large companies. Women and men hardly differ in their assessment of the main obstacles in accessing land for business.

The process of acquiring land, in particular of un-serviced land, is on average regarded as cumbersome by the respondents. In particular the informal sector views the process as highly unsatisfactory. Medium and large companies are more concerned with the ease of access to serviced land than to un-serviced land. Furthermore, it is in particular women who are not at all satisfied with the whole process. Local Authorities in cooperation with financial institutions need to design innovative mechanisms

to accelerate the process of providing land, in particular serviced land, to the business sector.

**Figure 9: Rating the process of obtaining land**

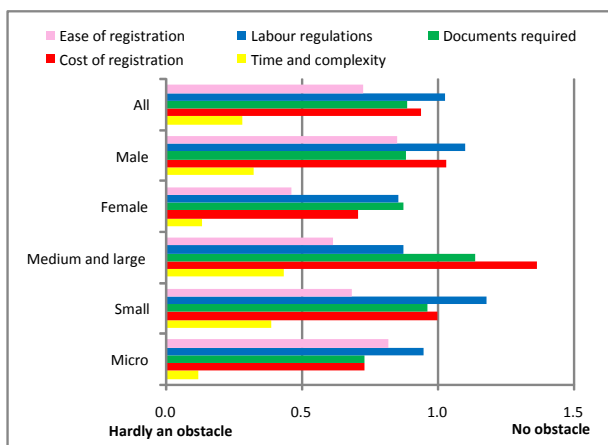


But there is also good news. The process of registering a business with MTI is rated overall quite positively. Existing labour regulations do not pose any barrier to registration, particularly not for micro and small enterprises. In addition, the cost of registration is not viewed as an issue by the respondents. Even micro enterprises are not concerned about the level of financial resources involved in getting their business registered. Likewise the documents required for the registration do not pose a challenge for businesses. Only the time needed and the complexity of the process is rated lower than the other aspects, but is still regarded as acceptable. The Global Competitiveness report 2010-11 reflects these sentiments as well. While Namibia ranks overall 56<sup>th</sup> in the 6<sup>th</sup> pillar 'Market Efficiency' it drops to place 99 and 128 concerning 'Number of procedures to start a business' and 'Time required to start a business'. These are two out of 15 sub-indices in the sixth pillar. There is, however, good news. The Ministry of Trade and Industry set itself the target to improve Namibia's competitiveness within Africa from place four to three by 2014. It attempts to achieve the improvement by reducing the processing time for applications to register company names and intellectual property.

There is a strong correlation between the rating of the registration process and the time span lapsed since the business was registered. Almost three quarters of the businesses were registered more than five years ago – 24 per cent more than five years ago and 48 per cent more than ten years ago. Businesses that registered with MTI less than one year ago view the process as slightly negative (-0.13), while the longer established companies are

much more positive about the ease of registration. The rating for companies that registered more than five years ago stood at +0.85 and for companies that registered more than ten years ago at +0.87.

**Figure 10: Rating the ease of registration with MTI**



Despite the positive rating of the registration process most businesses have doubts about the benefits of being registered. Medium and large companies are not convinced (-0.31) that the registration will bear any benefits, while micro enterprises are slightly positive (+0.02). Although micro enterprises expect some, albeit minor benefits, most of them are not registered with MTI. This apparent contradiction warrants further research to shed some light on the reasons for not joining the formal sector.

## Public-Private Dialogue and Public Services

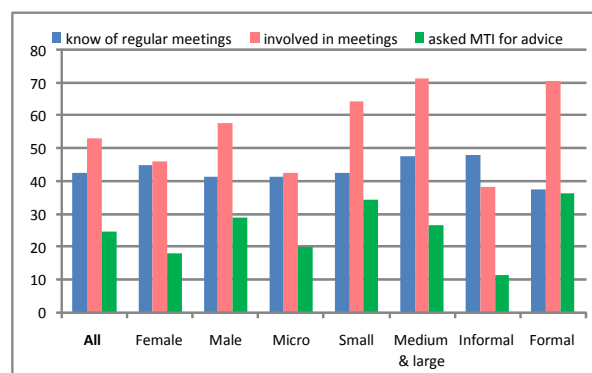
A quarter of all respondents have approached the Ministry of Trade and Industry (MTI) for advice. More of the small businesses (34 per cent) approached the ministry for information than micro enterprises (20 per cent) and medium and large companies (26 per cent). More men than women were looking for some kind of advice – 29 per cent compared to 18 per cent (Figure 11). Owing to its nature fewer informal enterprises (11 per cent) sought information from the ministry than businesses registered with the ministry (36 per cent). Businesses were generally satisfied with the advice they received as indicated by the rating of +0.46 on the scale from -2 (not at all satisfied) to +2 (very satisfied). Interestingly, there was no difference in the assessment between women and

men, but medium and large businesses were much more critical than the smaller ones as the rating of -0.2, +0.62 and +0.57 for medium and large, small and micro enterprises respectively indicates. It could be that medium and large businesses have more complex issues to clarify than the smaller companies and are therefore less happy with the assistance they received.

Business associations and the public sector have apparently done a good job in promoting public-private dialogues and in mobilising their constituencies to attend. 43 per cent of respondents confirmed that they know of these regular meetings. The share is 10 percentage points up compared to the previous namBIC 2009. However, there is great disparity between the regions in the awareness of these meetings. While the majority of business people in the Oshikoto, Karas, Caprivi and Oshana regions know about these events, less than 50 per cent of the respondents from the Khomas and only 14 per cent from the Otjozondjupa regions have heard about them. None of the respondents from the Kunene, Omaheke and Omusati regions were aware of these meetings. The finding indicates that more needs to be done to reach out to all regions of Namibia.

More than half of those who know about regular meetings attended one or more of them. While the knowledge about regular meetings is almost equally spread amongst all businesses, it is entrepreneurs operating small and medium and large companies that attend to a larger extent than entrepreneurs running micro enterprises. The meetings attract in particular businesses from the formal sector (71 per cent as opposed to 38 per cent of the informal sector).

**Figure 11: Contact between businesses and public sector**



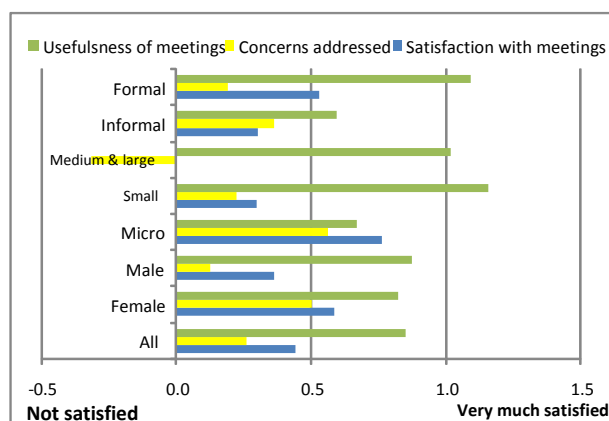
Respondents who attended these meetings were generally satisfied with the outcomes. Micro

enterprises and women were more satisfied than other businesses and men respectively. While the formal sector rated its satisfaction with the meetings higher than the informal sector, it felt that the concerns raised in the meetings could have been addressed more effectively. In particular the medium and large companies opined that concerns were not addressed while the smaller businesses were satisfied with the way concerns were handled. These results are in line with the ratings of advice received from MTI by the different categories of companies. The conveners and facilitators of these meetings need to ensure that there is proper follow-up of the concerns raised and feedback provided to the attendees. This would go a long way in improving the business climate.

There is no doubt among the business community that the Public-Private Dialogue approach is useful. A quarter of respondents are of the opinion that such meetings are not or not at all useful while two thirds are of the opposite opinion. The overall rating stood at 0.85 indicating that meetings are useful. However, the rating is somehow lower than in 2009 (+1.08). Furthermore, business people who were not aware of regular meetings regard them in general as necessary.

The positive rating for Public-Private Dialogue should encourage the stakeholders – private sector associations and public institutions – to continue with these meetings and even increase their efforts to spread information about the events to all businesses. The stakeholders should consider organising these events also in the regions and not only in Windhoek.

**Figure 12: Rating the satisfaction with meetings**



Public tenders and public procurement could be a meaningful instrument to support micro, small and medium sized Namibian companies. It is therefore

important to implement a transparent mechanism across the country that assists these businesses in bidding for tenders.

The survey asked business people to rate the ease of participation in the public tender process. Although the rating has improved compared to the namBIC 2009 it is still in the negative indicating that it is not easy to participate. In particular medium and large companies perceive the tender process as problematic. Since most of the women that were interviewed operated in the informal sector it is not surprising that they rate the process as more challenging than men. Informal businesses do not benefit from public procurement. There are regional differences in the rating. Respondents from Erongo and Khomas are less critical (rating of -0.11 each) than respondents from Ohangwena (-2.0 – very big problem), Omaheke (-1.75), Kavango (-1.2) and Oshikoto (-0.98). The results suggest that access to the public procurement process needs to be improved in remote areas.

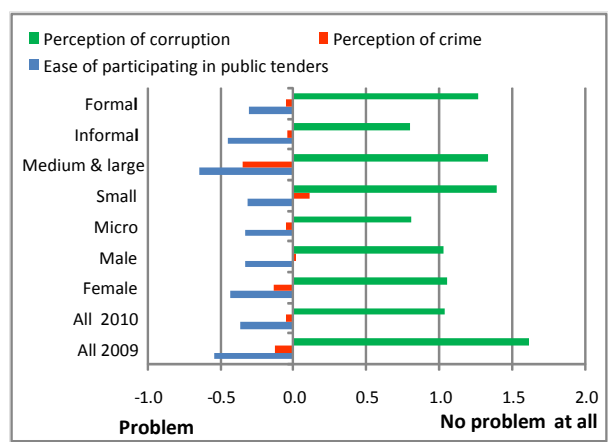
While crime is regarded as a challenge, the situation has also improved compared to namBIC 2009. On average, small businesses do not regard it as a problem, while medium and large enterprises are more concerned than other businesses. Apparently, businesswomen suffer more from criminal activities than businessmen.

Namibia's score in the Corruption Perceptions Index compiled by Transparency International dropped slightly from 4.5 to 4.4 in 2010 while the ranking remained the same – rank 56 (Transparency International, 2010:2)<sup>6</sup>. These perceptions are somehow reflected in this survey. Although business people indicated that they have hardly been approached to pay bribes, the rating dropped from 1.6 in 2009 to 1.0. The result suggests that businesses have been asked more often in 2010 than in 2009 to pay bribes. Apparently, informal businesses have experienced more incidences of bribery than formal businesses. This is not surprising. Informal enterprises lack the necessary documents to operate their businesses and, in order to continue with their economic activity, are therefore more prone to experience corruption.

<sup>6</sup> Transparency International, 2010, Corruption Perceptions Index 2010

There is hardly any difference between businesswomen and businessmen concerning their experiences of corruption in Namibia.

**Figure 13: Rating the tender process, crime and corruption**



## Finance

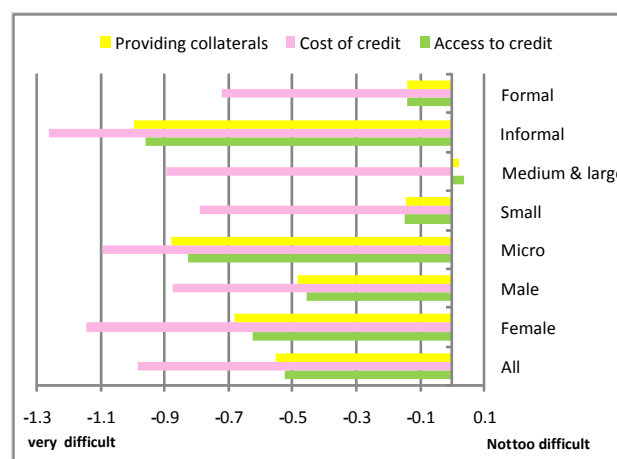
Financing economic activities in Namibia remains one of the biggest challenges as already indicated above. Despite various initiatives to ease access to credit in particular for micro, small and medium sized companies, it continues to pose a challenge to business people. Especially micro enterprises describe the access as difficult, while medium and large companies do not experience problems in sourcing funding. It is not only the size of the business that matters when it comes to the ease of accessing credit but also formality and gender. Businesses in the informal sector find it very difficult to finance their activities and women struggle more than men in accessing loans. The rating of the respondents in the survey contradicts at first glance Namibia's ranking internationally. According to the Global Competitiveness Report Namibia ranks 48 out of 139 countries regarding the ease of access to loans (World Economic Forum, 2010:251), while Namibia ranks even 15 out of 183 according to the Doing Business report (World Bank, 2010:182). The discrepancy in the views in these surveys can to a large extent be explained by the methodology used in conducting the surveys. The Global Competitiveness Report is based on the Executive Opinion Survey conducted mainly amongst medium and large enterprises. These companies view access to credit also according to the namBIC survey as less challenging than smaller companies. Despite the favourable ranking, companies still perceive the access to

financing as the second most serious challenge in Namibia (World Economic Forum, 2010:250).

But even if access to credit is improved further, the cost of credit will continue to pose a big hurdle for the whole business sector. Even medium and large companies that have relatively easy access to loans view the costs of loans as very high.

Most business people also view the provision of collateral when accessing credit as a challenge. This affects especially the informal sector and micro enterprises that often do not have any or sufficient assets. Men are once more better off than women when it comes to providing collateral. Financial institutions need to be more innovative when it comes to MSME lending (e.g. through mentorship programmes, accepting collateral etc.) and need to be more mindful of the specific circumstances micro enterprises are operating in.

**Figure 14: Rating access to finance**



## Infrastructure

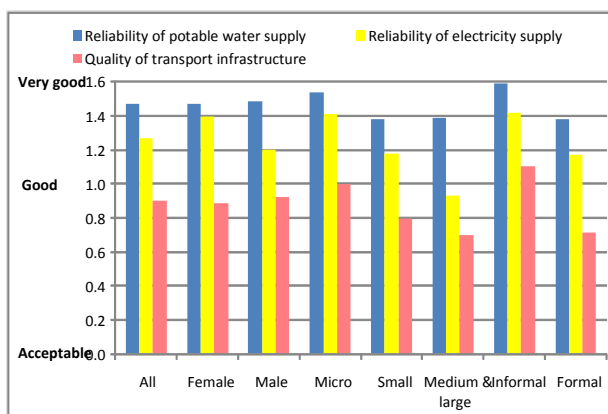
Namibia's infrastructure is often regarded as one of her major assets, besides political and macro-economic stability and the independence of the judiciary. The Global Competitiveness Report ranks Namibia 15, 16 and 30 out of 139 countries in terms of road, port and railway infrastructure respectively (World Economic Forum, 2010:251). The respondents to the survey confirmed this perception to a large extent. The connectivity to the national electricity and water supply system is very high. 86 per cent and 94 per cent of the respondents are connected to electricity and potable water respectively. A quarter of micro enterprises are not connected to the electricity grid while all other businesses are. Almost all formal businesses (98 per cent) have access to the

electricity grid compared to 71 per cent of informal businesses. Businesswomen have less access to power than businessmen (81 per cent compared to 89 per cent).

The situation concerning access to safe (potable) water is similar. All medium and large companies do have access, while one per cent of small and eleven per cent of micro enterprises do not have access. Again, it is mainly the informal sector that lacks access to safe water – 12 per cent compared to two per cent in the formal sector without access to water. The share of businesses run by women that are not connected is almost double the share of men – nine per cent compared to five per cent.

It is not only the access to water and electricity that counts in favour of Namibia, but also the reliability of supply. Businesses rate the reliability across the board between good and very good. Furthermore, the reliability of water supply receives better rating than electricity supply. In particular the informal sector is to a larger extent satisfied than the formal sector and businesswomen more than men. Medium and large companies are a little bit more cautious in their assessment of the quality of supply than other companies, but are still quite satisfied. The quality of electricity supply supports Namibia's international competitiveness. The country is ranked 41 out of 139 in terms of electricity supply and hence slightly better than her overall ranking of 54 (World Economic Forum, 2010:251).

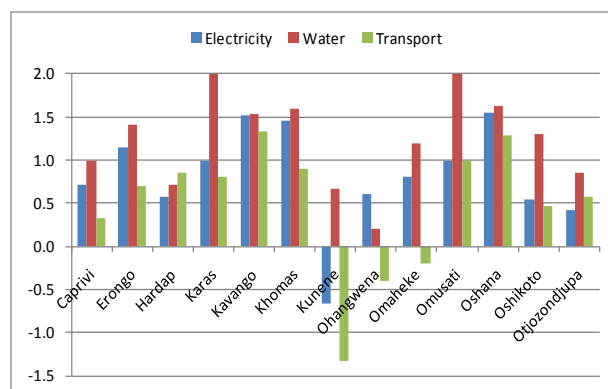
**Figure 15: Rating the quality of infrastructure**



Despite the overall good rating, there are some regional disparities that would warrant further investigation. The Kunene region lags behind all other regions in terms of infrastructure. Business people from this region are either not satisfied with the quality or are less satisfied than business people from other regions. Businesses in the

Ohangwena region rate the transport and water Infrastructure as not really reliable, while the reliability of electricity supply is on par with other regions. In addition, respondents from the Omaheke and Caprivi regions are not very satisfied with the transport Infrastructure. While the regional analysis provides a rough picture of the perceptions of business people, we need to keep in mind that the number of responses from some regions is low and hence each response influences the result substantially.

**Figure 16: Rating the quality of infrastructure by region**



## Health and Education

The Government has prioritised allocation to the education and health sectors since Independence. The education sector has received the largest share of the budget over the years. However, it is widely acknowledged that the outcome has not met expectation and, moreover, the demand from the labour market. Last but not least, a well educated and healthy workforce is a requirement for a competitive industry. The survey looked therefore at the perceptions of business people regarding the quality of education and health service provisions.

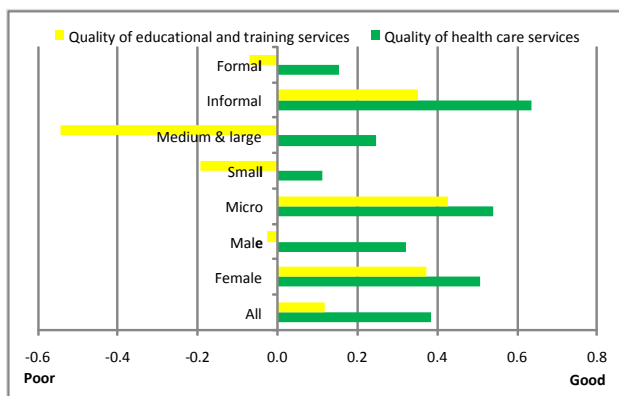
The business community is relatively satisfied with the provision of quality health services in the area where they are located. This is in particular the case for the informal sector, for micro enterprises and women-run companies. Small and medium and large companies are less satisfied with the quality, but rate the quality still as positive. However, it is of concern that the average rating of all companies dropped from 0.74 in 2009 to 0.38 in 2010, which could suggest that the quality of health care provision has declined.

The respondents are less satisfied with the quality of education provided in the country. Only the informal sector, the micro businesses and companies operated by women gave it a thumbs up. The formal sector in general is not impressed and in particular medium and large enterprises rate the quality as poor. This discrepancy in approval between the formal and informal sector or between the sizes of businesses could be explained by the sophistication of business operations. Usually, the larger the workforce and the longer businesses are in operation the more diversified the tasks are and hence, the more specific skills are required. Companies that are in the business for more than ten years gave the quality of education in the country the worst rating (-0.23), followed by businesses in operation between five and ten years (+0.25) and the newcomers that started their business less than a year ago (+0.28).

The assessment of the quality of education is in line with the identification of factors that affect the business climate most negatively. Small and medium and large enterprises and businesses in the formal sector in general identified the lack of skilled labour as the most challenging factor. These are the companies that view the quality of education as not satisfactory.

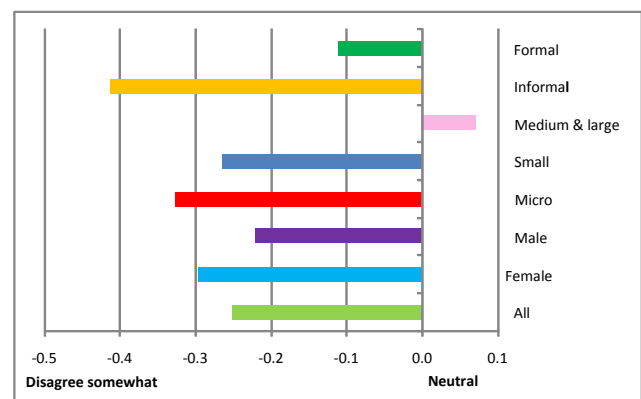
The quality of health and education service provision also dents Namibia's international competitiveness ranking. While the country occupies rank 54 out of 139 countries in her overall competitiveness, Namibia drops to place 87 concerning the quality of primary education and even to place 122 in respect of the quality of higher education. In terms of various health indicators the country ranks between 99 (infant mortality) and 136 (tuberculosis incidence) out of 139 countries (World Economic Forum, 2010:251).

**Figure 17: Rating the quality of health and education services**



Respondents were asked whether they agree or disagree with the statement that HIV/AIDS has a negative impact on their business. Business people in general tend to disagree with the statement. Apparently the informal sector and micro and small businesses do not feel a significant impact. Only respondents from medium and large enterprises agree slightly with the statement. These results are in line with the findings in the namBIC 2009 report. A possible explanation for the responses is that micro and small businesses can replace employees relatively easily should they fall sick, since these businesses are generally not involved in activities that require a highly skilled workforce. This is different with medium and large companies that often require a more skilful workforce and that invest in training their employees. However, the responses could also reflect the impact government's anti-retroviral treatment campaign has on the health status of HIV positive persons. Since the treatment is rolled out to all hospitals across the country, HIV positive people have access to treatment and, if they take the medication as prescribed, can continue living a relatively healthy life.

**Figure 18: Impact of HIV/AIDS on the business**



# Recommendations

## **Recommendation 1 – Regular public – private sector meetings**

The business community regards regular formalised meetings between the private sector and representatives from the public sector as quite useful. The first National Public-Private Dialogue was held after the release of the first namBIC 2009. This initiative should continue. But, in order to provide a meaningful contribution to improving the business climate, the meetings need to be properly planned and prepared. Ideally, the meetings should end with a mutual agreement on the way forward concerning the issues raised. It is necessary to follow up on the progress towards resolving the issues and communicate the progress on a regular basis to the stakeholders and members of the business associations.

In order to involve as many of the business people as possible and from across the country it is important to inform them quite in advance about the meetings and the topics to be discussed. Membership databases should be updated regularly in order to reach out to the members. Furthermore, other business associations representing in particular informal and or micro enterprises should be informed about these events as well and could be taken on board in organising these meetings. Moreover, meetings should be scheduled across the country to enable smaller businesses to participate. NCCI and NMA could even consider creating an interactive web site that allows business people who could not attend the meeting to contribute to the debate. The web sites could also be used to share information on the progress towards resolving these issues.

Finally, although more women are aware of regular business meetings fewer of them than men actually attend such meetings. Since women in general face more challenges than men in running their business, increased efforts should be made to attract more women to these meetings or arrange meetings specifically targeting businesswomen.

## **Recommendation 2 – Skills shortage**

Business people are concerned about the lack of skills in the country. However, there has been no comprehensive study undertaken recently to identify more precisely the areas of skills shortages and the extent of it. The study should try to determine the professions that are in short supply, the number of vacancies for these professions, the expected demand over the next five or so etc. This information would enable the government and private sector to agree on the immediate, short and medium-term measures needed to address the challenge.

Tertiary institutions, in particular Vocational Training Centres, play a crucial role in supplying the skills required by many of the smaller businesses. Regular meetings between the institutions and the business community could ensure that programmes offered by tertiary institutions meet the demand and the quality expectations.

The private sector has played an important role in training its employees. However, it would improve the efficiency of these efforts if the training is not left to individual companies alone but is coordinated on a broader level through the NTA Industry Skills Committees. The business community should consider comprehensive apprenticeship programmes in order to equip school leavers with the skills necessary to succeed in the labour market or to become entrepreneurs. Such an initiative will also contribute to reducing the unacceptable high levels of youth unemployment in the country.

## **Recommendation 3 – Access and cost of credit**

Access and cost of credit has remained a major concern for the business community in particular smaller companies. Various institutions are involved in specific programmes for micro and or SMEs. The lack of transparent and simple information is often making matters worse. A regularly updated database and web site of existing programmes, requirements and

costs would improve the transparency and knowledge. Financial institutions need to be more innovative in order to meet the specific demands and to take account of the capacities in meeting the requirements of micro businesses, SMEs and the informal sector.

#### **Recommendation 4 – Public tender and procurement provisions**

Public tenders and public procurement could be a meaningful means of supporting micro, small and medium sized Namibian companies. Despite improvements in the ease of participating in public tenders compared to 2009, businesses still regard the process as challenging. It is therefore important to implement a transparent mechanism across the country that assists in particular micro and small businesses in bidding for tenders.

#### **Recommendation 5 – Starting a business**

Businesses view the process of setting up a business as challenging. Therefore, the establishment of one-stop-registration centres could be considered. These centres should accommodate competent staff from Local Authorities, MTI, Ministry of Finance and other relevant authorities. Business people will receive all necessary information, forms and revenue stamps at one place. Such centre would curb costs for and time of registration considerably.

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