

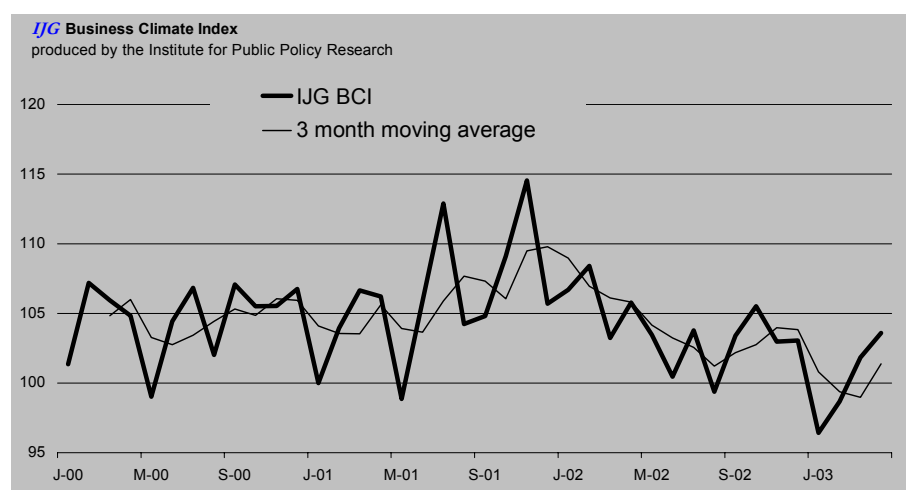


## The *IYG* Business Climate Monitor for April 2003

*produced by the Institute for Public Policy Research*

- The *IYG* Business Climate Index continued to recover from its deep January low reaching 103.6 in April, up from 101.9 in March.
- By contrast, the *IYG* Business Climate Survey suggests businesses view the prevailing business climate more negatively than ever before.
- The recent reshuffle of ministers and permanent secretaries is likely to prove disruptive to critical ministries such as the Ministry of Finance.

### The *IYG* Business Climate Index for April 2003



The *IYG Business Climate Index* rose for the third month in a row to reach 103.6 in April compared to 101.9 in March. Despite consistent falls in inflation since November 2002 and a markedly stronger exchange rate, hopes for cuts in interest rates have so far failed to be fulfilled. This month's rise in the BCI was caused by increases in vehicle sales, company registrations, credit to business and individuals, and a sharp fall in the price of oil which followed the end of hostilities in Iraq. On the negative side, exporters are struggling to come to terms with the continuing strength of the local currency against the US dollar and the Euro.

		April	March
<b>Business Climate Index</b>	▲	103.6	101.9
<b>Investment Index</b>	▲	112.4	108.6
<b>Consumption Index</b>	▲	105.3	97.4
<b>Export Index</b>	▼	90.5	98.1
<b>Leading Indicator</b>	▼	110.2	114.1
<b>Coincident Indicator</b>	▲	94.0	93.8

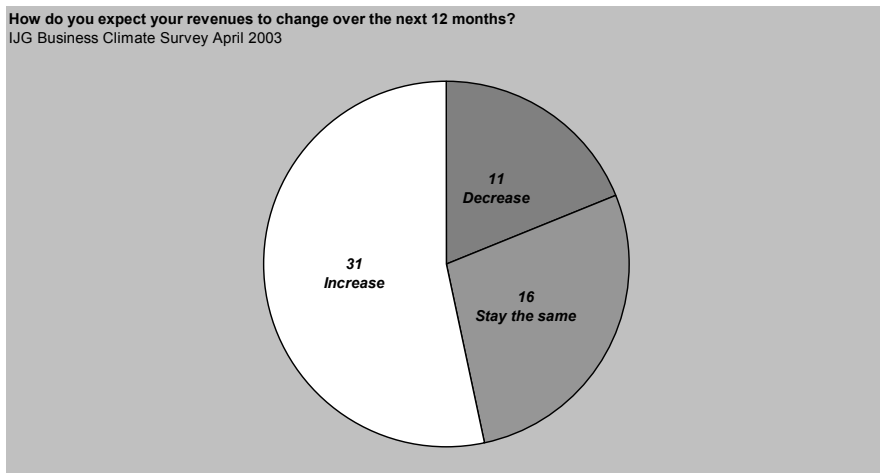
### The *IYG* Business Climate Survey for April 2003

The *IYG* Business Climate Survey asks 50 top businesses in Namibia across all major sectors of the economy to reply to four questions on revenues, employment, investment and prevailing business conditions. In addition to this sample, members of the Namibian Manufacturers Association (NMA) are also surveyed. Since September 2002 members of the Namibia Chamber of Commerce and Industry (NCCI) have taken part in the survey. This month we received an

improved response of 58 companies, including an encouraging number of NCCI members not part of our Top 50. As usual, we report the results of our survey for the whole sample and for all manufacturers.

**Q1: How do you expect your revenues to change over the next 12 months?**

**Just over a half of responding businesses expect revenues to increase.**



Firms were given a choice of three responses to the question on revenues: revenues could decrease, stay the same or increase.

This month's responses were fractionally more positive than last month's. Out of 58 responses, 31 expect revenues to increase while 16 expect revenues to stay the same and only 11 expect revenues to fall.

Manufacturers were a little

more negative with 5 out of 9 expecting revenues to either fall or stay the same.

**Q2: How do you expect your workforce to change over the next 12 months?**

**Almost three-quarters of respondents do not expect to take on labour.**



Firms were given a choice of three responses to the question on employment: either they expected to shed labour, or their workforces were expected to remain the same, or they expected to take on labour.

This month only 16 firms expect to take on labour. The majority expect their workforces to stay the same (37) while 5 expect to shed labour. Only 2 out of 9

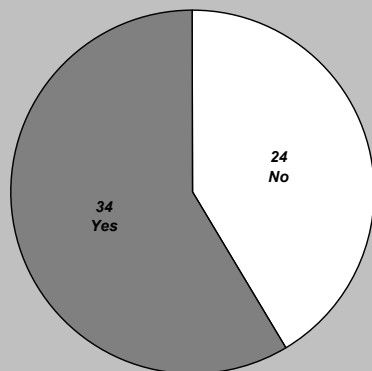
manufacturers expect to take on labour but none expect to shed labour.

**Q3: Do you intend to invest in new plant and equipment (not inventories) over the next 12 months?**

**Investment expectations remain very negative.**



Do you intend to invest in new plant and equipment over the next 12 months?  
IJG Business Climate Survey April 2003



Firms could respond either that they intended to invest in new plant and equipment or that they did not intend to invest.

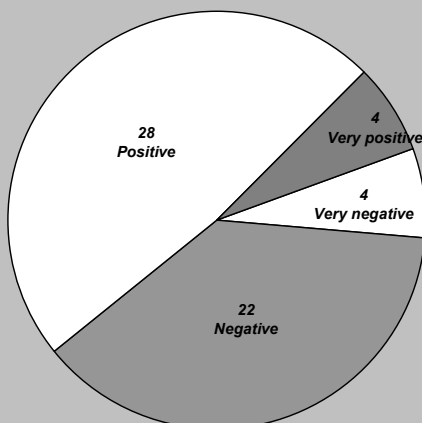
The response this month was marginally better than last month. Out of the 58 respondents, 34 stated that they intend to invest in new plant and equipment while 24 replied that they did not. Manufacturers not intending to invest outnumber those

that do by two to one.

**Q4: How do you find prevailing business conditions for your business?**

**Firms are more negative about prevailing business conditions than ever before.**

How do you find prevailing business conditions for your business?  
IJG Business Climate Survey April 2003



Firms were given a choice of four responses to the question on prevailing business conditions: very negative, negative, positive or very positive.

A total of 32 viewed prevailing business conditions as positive (28) or very positive (4) while 26 viewed them as negative (22) or very negative (4). Manufacturers gave a

slightly more up-beat response.

April's survey makes uncomfortable reading. Respondents' perceptions of prevailing business conditions are even more negative than last month, which was the worst since our survey began in November 2001. Continued high interest rates have clearly hit business investment with no let up in sight. Firms appear to be over the worst in terms of shedding labour and are now sitting tight waiting for business prospects to improve.

**IPPR commentary for April 2003**

IPPR commentary presents the views of the IPPR alone and not the sponsor.

During the past two weeks President Nujoma reshuffled several permanent secretaries before reshuffling a number of key ministers and announcing clearly in an interview with *The Namibian*



that he did not intend to stand for a fourth term. Table 1 presents information on the changes that have taken place.

**Table 1: Recent changes in top government posts**

	<i>Previous position</i>	<i>New position</i>
Mr Mbeuta Ua-Ndjarakana	PS: Prisons	Office of Prime Minister
Mr Usutuaije Maamberua	PS: Finance	PS: Prisons
Mr Calle Schlettwein	PS: Labour	PS: Finance
Ms Ulitala Hiveluah	PS: Women's Affairs	PS: Labour
Mr Samuel Goagoseb	PS: Local Government	PS: NPC
Mr Erastus Negonga	PS: Defence	PS: Local Government
Mr Nangolo Mbumba	Minister of Finance	Minister of Information
Ms Saara Kuugongelwa	Director General: NPC	Minister of Finance
Mr Albert Kawana	Deputy Minister of Justice	Minister of Justice
Mr Ngarikutuke Tjiriange	Minister of Justice	Minister without Portfolio
Mr Immanuel Ngatjizeko	Deputy Minister of Mines	Director General: NPC
Mr Henock ya Kasita	NC SWAPO Chief Whip	Deputy Minister of Mines
Mr Alpheus Naruseb	Deputy Minister of Fisheries	Deputy Minister of Justice

The key change as far as economic policy is concerned is Nangolo Mbumba's move from the **Ministry of Finance** to the Ministry of Information and Broadcasting and Saara Kuugongelwa's move from the **National Planning Commission** to the Ministry of Finance. The changes are widely seen as a demotion for Mr Mbumba and a significant promotion for Ms Kuugongelwa. Looking for economic rationales in Cabinet reshuffles is never easy. In many countries reshuffles are used as a way of promoting ministers who have performed well and demoting or getting rid of those who have performed badly. Tradition in Namibia has it that ministers are never clearly sacked for bad performance. The general view appears to be that Minister Mbumba has been an active and successful minister of finance during his seven years at the helm of economic policy, a view that the IPPR would endorse. He steered Namibia through difficult times as the Namibian Defence Force was sent to fight in the Democratic Republic of Congo and government initiated its "Peace Project" to employ ex-fighters in the public sector, both at considerable cost to the fiscus. He introduced Value Added Tax, carried out a comprehensive tax review (the results of which have still not been made public) and helped institute the Land Tax. He created the Namibia Financial Institutions Supervisory Authority (NAMFISA) out of the old Directorate of Financial Institutions and played a part in establishing the new Central Governance Agency (CGA) to oversee parastatals. He introduced the Medium-term Expenditure Framework (MTEF) and important fiscal targets for the budget deficit, the stock of public debt and public spending which he has tried to stick to. He oversaw the renegotiation of the Southern African Customs Agreement (SACU) and helped win the battle to locate its new headquarters in Windhoek. At the same time, however, he presided over a significant increase in public debt from around 20% to 27% of GDP and the debacles at Air Namibia and NamibRe.

The IPPR welcomes **Cabinet reshuffles** if they are used to promote the effectiveness of the government machine. Ministers should never feel they are indispensable or that they are in a particular post for life. Change is generally a good thing, both for individuals and governments. We would, however, question the wisdom of changing both a ministry's minister and permanent secretary at the same time since this can seriously undermine continuity and institutional effectiveness. The word "permanent" in the title permanent secretary is supposed to signify the



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relative permanence of the government bureaucracy compared to more transient ministers who are pure political appointees. Of course the term was borrowed from countries with less politicised bureaucracies than Namibia's.

We are surprised that a minister of Mr Mbumba's calibre has been moved to what is generally regarded as a minor portfolio. However, with restructuring at the NBC and commercialisation of NAMPA and New Era as well as important new legislation in the pipeline, there is probably more than enough to keep an active minister busy.

The critical question is whether the reshuffle signals **a change of economic policy**. Ministers of finance around the world are generally chosen from the ranks of Cabinet heavyweights, and for good reason. As Mr Mbumba explained in a recent budget speech, a large part of the art of being a minister of finance consists of the ability to say "no" and sticking to it. The new minister of finance will have her work cut out ensuring government sticks to its severe new spending targets. She will need the full backing of the President to meet government's fiscal targets. If she succeeds and she is perceived to be a capable minister in her own right able to push through difficult policies, she may become a powerful role model for Namibian women. How many other countries in the world have a female minister of finance?

The apparently clear statement issued to *The Namibian* by President Nujoma that he will not seek a **fourth term** appears to have confounded the many sceptics who thought that a lavish new State House, the departure of Hage Geingob and the carefully choreographed calls for an extension to his presidency could mean only one thing. Certainly the betting within the IPPR was evenly split. We have been here before of course. The President made clear statements before the third term was finally decided upon. If the President really does stand down in 2005, his successor is likely to carry out more fundamental Cabinet changes in which case the recent reshuffle may not have long to bed in. Perhaps the most significant thing about the interview was that it happened at all. The cordial tone in which it was conducted suggests a warming of relations between the President and *The Namibian*. Hopefully this may soon lead government to drop its rather pointless ban on the newspaper which continues to be avidly read by ministers and government officials alike.