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NAMIBIAN BUSINESS AND INVESTMENT CLIMATE SURVEY

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NCCI
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Institute for Public Policy Research

NMA
Namibian Manufacturers Association

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Key Findings

General economic and investment conditions

- Contrary to global economic prospects, Namibian business people rated the economic conditions in 2012 as more favourable than those of 2011, and are even upbeat regarding the prospects for 2013.
- The investment mood has deteriorated and moved into negative territory for all categories of companies. Below-average investment is expected, and particular into Research & Development.
- Fewer firms intend to increase job opportunities or reduce their workforce. The number of companies planning to increase their labour force however far outweighs the companies planning to shed labour.

Obstacles to business growth

- Access to and cost of finance re-surfaced as the biggest challenge for all businesses, irrespective of size, age or whether formal or informal, followed by access to land and the cost of utilities.

Regulatory business environment

- The ease of registration and the time and complexity of the registration process is rated lower than in the previous survey, though still relatively positively.
- Obtaining work permits for skilled foreign nationals is viewed as being slightly less cumbersome, although the rating remains negative.

Finance

- The access to and cost of credit has deteriorated over the years. All companies agreed that the cost of credit is far too high. Less of a burden is the provision of collateral, which received a slightly more positive rating this year.

Border procedures

- Border procedures on the Namibian side of the border are rated worse than on the foreign side of the border. Both ratings are negative, thereby indicating that border procedures pose challenges to traders.

Paying taxes

- Business people rated their satisfaction with tax returns as neutral (neither difficult nor easy), while the ease of paying taxes received a lower and negative rating. Overwhelmingly, all companies indicated the tax rates in the country are too high.

Health and education

- The quality of health and educational services has improved and received a better rating than in the previous two years. While large firms are most satisfied with the provision of health services, they are least satisfied with the quality of the education system. However, all ratings remained in positive territory.

Government services and public administration

- As in previous years, corruption is not regarded as a challenge for the business sector, although the rating declined slightly. Large firms are more critical of the prevalence of corruption than are smaller companies.
- Crime is regarded as more of a problem to businesses than in previous years, affecting in particular the informal sector and micro enterprises.

- The ease of participation in public tenders and the supportiveness of public procurement for the domestic private sector are rated slightly more favourably than in the previous surveys, but the rating remains negative.

Public / Private Dialogue

- Only a minority of businessmen and -women were aware of public / private dialogues (20 per cent), which is less than half of the respondents in previous surveys (namBIC2011 – 42 per cent, namBIC2012 – 43 per cent).
- The interest in these meetings is increasing as attendance rates indicate and the satisfaction with the outcome of the meeting is improving.

Gender issues

- While women were more cautious about economic conditions and prospects in previous years, they provided more positive feedback for 2012 and 2013 than did men. However, their plans for investment are below-average compared to previous years, and they are more cautious in their investment decisions than men.
- Women view the registration process as well as the prevalence of crime and corruption as more of a challenge than do men.
- The access to and cost of credit affects women and men to the same degree. However, women are slightly less confident about their level of knowledge about financial services and about managing their finances.

Foreword

The Namibian business community recognizes that it is of prime importance for all sectors of the economy to be developed and aligned in order to achieve economic growth, employment and income generation. This view is also recognized by Government as contained in NDP4 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 and strengthen the enabling environment for all businesses; as these are able to identify the actual constraints to business growth in a country.

The Namibian business community welcomes with appreciation the positive findings of the fourth survey such as the favourable economic conditions for 2013 which exceed the rating for 2011. However, we remain seriously concerned about the fact that the recent survey also reflects the slow progress on issues affecting businesses as identified in the previous BIC surveys such as: difficulties to access and cost of finance, access to land for business as well as the cost of utilities. These and other problematic factors will been taken up in consultations with Government, and a number of follow-up studies will be executed to identify solutions to these factors. This process is on-going and will be adjusted according to the results of later surveys.

This is therefore another proud moment for NCCI, NMA and GIZ to present the fourth survey and it is our hope that these findings will be used by all stakeholders to improve the business environment for the benefit of all our people.

For the continued production of these surveys, it is also critical that private sector participate and provide adequate financial support to the 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.

Martha Namundjebo-Tilahun

President NCCI

NCCI
NAMIBIA CHAMBER OF COMMERCE AND INDUSTRY

Brian Black

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Introduction

Namibia has set an ambitious target in the Fourth National Development Plan launched in July 2012 – the country aims to become the most competitive economy in the Southern African Development Community by 2017. Based on the World Economic Forum's latest Global Competitiveness Report, Namibia is currently ranked fifth in the SADC region. In order to achieve the NDP4 goal, close cooperation and consultation between the public and the private sectors are necessary in order to address issues of concern to the business sector. The Namibian Business and Investment Climate Survey (namBIC) provides a valuable tool for capturing the mood of the private sector regarding the business environment and identifying the main challenges the sector faces. The survey results indicate whether Namibia is on the right track to accomplish her ambitions.

This year's survey is the fourth consecutive annual survey since the namBIC was launched in 2009 by the Namibia Chamber of Commerce and Industry (NCCI), the Namibian Manufacturing Association (NMA), the Institute for Public Policy Research (IPPR) and the German Development Cooperation (GIZ) who also provided financial support. The survey covers a wide range of topics relevant for the business community, including perceptions of the prevailing business and investment climate, the regulatory environment, factors affecting the business sector negatively and the quality of the provision of public services such as health and education. The results of last year's survey were not only presented in Windhoek, but also at the coast (Swakopmund) and in the north central (Ongwediva) in order to spread the findings more widely and stimulate debate involving the private and public sectors. These presentations were well-attended and included panel discussions on topics of concern to the private sector, such as access to finance. Furthermore, the summary of the report was translated into Oshiwambo for the first time. It is planned in future that the report will be launched in the south of the country as well.

The namBIC report provides a thorough analysis of the survey and includes recommendations on how to address the challenges identified. These recommendations are meant to provide a basis for further discussions, and public/private sector dialogue. So far, these dialogues have focussed on topics such as the lack of skilled labour; work permits for foreign professionals, and access to land for business purposes.

Methodology and sampling

The **namBIC survey targets** enterprises from both the **formal and informal sectors across the country**. Databases from various industry associations as well as from IPPR were used to compile a sample of 601 companies that reflect the contribution of the economic sectors to the economy. The economic sector's contribution to the Gross Domestic Product (GDP) is used as a benchmark for the number of enterprises in each sector. However, while some economic sectors contribute significantly to the economy (such as mining), they involve relatively few players, and hence their sample size is lower than their GDP contribution. Table 1 below compares the sectoral distribution of the sample to the sectors' GDP contribution and the actual responses.

Table 1[1] Comparison of formal businesses' responses, sample size and GDP contribution by sector

	2012/13 responses		2012/13 sample		
	Frequency	Per cent	Frequency	Per cent	GDP
Agriculture	4	0.9	5	0.8	4.2
Fishing	6	1.3	7	1.2	3.0
Mining	16	3.5	23	3.9	9.5
Manufacturing/Processing	99	21.4	112	18.8	12.1
Water/Electricity	3	0.6	2	0.3	2.8
Construction	29	6.3	33	5.5	3.6
Wholesale/Retail trade/Repair Services	138	29.8	158	26.5	11.6
Accommodation and Restaurant	39	8.4	40	6.7	1.8
Transport/Communication	30	6.5	35	5.9	5.0
Financial services	49	10.6	52	8.7	5.2
Real Estate/Renting/Business Services	47	10.2	75	12.6	5.7
Other economic activities	3	0.6	54	9.1	35.5
	463	100.0	596	100.0	100.0

Furthermore, the namBIC survey **includes enterprises from all 13 regions** in order to reflect the business sentiments of the whole country. In previous years the sample size of companies in and response rates from some regions were rather low and did not always allow for a regional analysis of the results. For this reason, greater effort was made with this survey to identify more businesses in these regions to increase the sample size. Not only has the overall number of responses increased, but also the responses from

[1] Note: The sample adds up to 596 businesses only, because the type of economic activity for five businesses included in the sample was not known before the survey was conducted.

regions that were previously under-represented. This allows for a regional analysis of more components of this report. For most regions the final response rate of formal businesses closely mirrors the sample size, as Table 2 below illustrates.

Table 2 Responses and sample size of formal businesses by region

	Responses		Sample	
	Frequency	Percent	Frequency	Percent
Caprivi	13	2.8	21	3.5
Erongo	67	14.5	90	15.0
Hardap	18	3.9	26	4.3
Karas	32	6.9	42	7.0
Kavango	28	6.0	39	6.5
Khomas	147	31.7	183	30.5
Kunene	19	4.1	21	3.5
Ohangwena	28	6.0	25	4.2
Omaheke	16	3.5	26	4.3
Omusati	19	4.1	25	4.2
Oshana	32	6.9	37	6.2
Oshikoto	21	4.5	43	7.2
Otjozondjupa	23	5.0	23	3.8
Total	463	100.0	601	100.0

In addition to the sample of 601 formal businesses, a reserve list of 199 enterprises was compiled in order to replace companies that could not be reached or were not available for a telephonic interview. All these businesses were interviewed telephonically during October 2012.

The informal sector plays an important role in the economy even though recent, representative data is not available concerning its size and contribution to GDP and employment. In order to capture the sentiments of this sector, **face-to-face interviews** were conducted **at four locations**, namely in Oshakati, Rundu, Walvis Bay and Windhoek. 50 business people in each of these towns were randomly selected for the survey.

Overall, 663 businesspeople responded to the survey – 463 companies that were interviewed telephonically and the 200 face-to-face interviews. This is a substantial improvement on the previous surveys that attracted 446, 377 and 405 responses for the namBIC 2012, 2011 and 2010 respectively, and amounts to a response rate for formal businesses of 57.9 per cent. Furthermore, 91 companies (or 19.7 per cent) that participated in this year's survey had also responded in the previous year.

Questionnaire design and rating

The questionnaire used in the previous namBIC surveys was reviewed with the aim of streamlining it and including additional topics that have become relevant for the business community. The overall **number of questions** was reduced from 68 to **60**, which might have contributed to the more favourable response rate, since it reduces the time for the interviews. The questionnaire is divided into several topical sections such as 'business and investment confidence', 'the regulatory environment', 'main challenges for the private sector' and others such as access to land and finance, public/private dialogue and public services.

Business people were asked to rate their response for most questions using a scale ranging from 1 to 5, where 1 always reflected the worst situation and 5 the best. In the analysis, this scale was converted into values ranging from -2 to +2 in order to better illustrate the business sentiments. For instance, an average value of above zero reflects positive conditions, while a value of below zero indicates relatively poor ones.

Business Characteristics

The first part of the questionnaire covers some basic business characteristics in order to analyse whether they have an impact on the responses. They include the size of the business in terms of number of employees, the location in terms of region, years of existence, and gender of the respondent and whether the business is formal or informal in nature.

Business registration

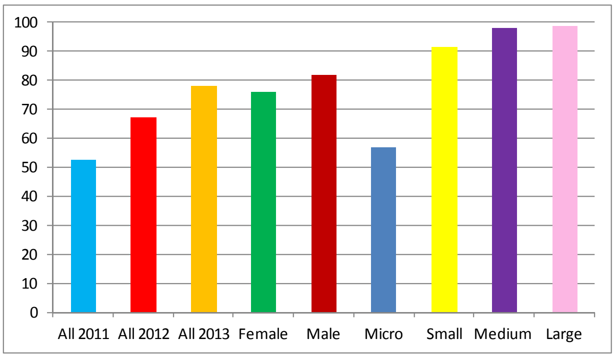
Business people were asked whether their company is registered with the Ministry of Trade and Industry (MTI). The registration with MTI is used to classify enterprises as formal or informal enterprises. ***Informal businesses are defined as businesses that are not registered with MTI***.

There are an **increasing number** of companies that are **registered with the ministry**. While two years ago slightly more than half of the responding enterprises were registered, this time the proportion increased to 78 per cent of all respondents. This increase could be attributed to the following: the overall higher response rate of businesses interviewed telephonically that are overwhelmingly registered with MTI and therefore have a strong impact on the overall registration rate. Furthermore, the proportion of businesses interviewed telephonically that are registered with MTI has grown from some 85 per cent two years ago to 97 per cent now. Likewise the proportion of small traders and business people interviewed face-to-face – and presumed to be operating mainly in the informal sector – has grown from 23 per cent to 35 per cent.

There is a clear correlation between the number of employees in a company and registration with MTI. 57 per cent of the enterprises with up to five employees are registered, while this is the case for almost all companies with more than 25 employees. The registration rate drops below 90 per cent of the telephonically interviewed companies in only two regions, Omaheke and Oshikoto, while in seven regions all businesses are registered. Interestingly, more than half of the participants in the face-to-face interviews in the Khomas region are registered with MTI, compared to 14 per cent in the Oshana region. In the Erongo and Kavango regions, where face-to-face interviews were also conducted, 38 per cent and 36 per cent respectively are registered.

The sector 'other economic activities' is characterised by a high degree of informality with 62 per cent of respondents not being registered, followed by the sectors 'accommodation and restaurants' (38 per cent) and 'wholesale and retail trade' (25 per cent). On the other hand, all companies involved in fishing, mining, water and electricity and transport and communication are registered.

Figure 1 Registration of businesses, in per cent of respondents



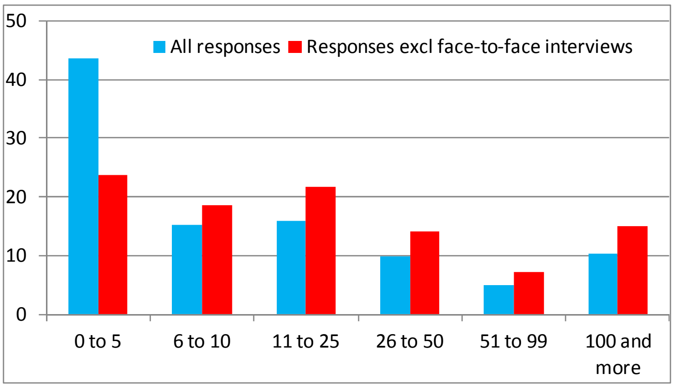
It would appear that fewer female respondents are involved in formal business activities, since only 76 per cent of them indicated that their company is registered with MTI. In comparison, 82 per cent of male respondents confirmed that their enterprise is registered.

Business size

The number of employees is used to categorise companies into **micro** (up to five employees), **small** (between 6 and 25), **medium** (from 26 to 99) and **large** (more than 100 employees) businesses.

Almost 90 per cent of the businesses interviewed face-to-face fall into the category of micro enterprises, compared to 24 per cent of the telephonically interviewed companies. In total 43 per cent of enterprises employ up to five employees, while 31 per cent can be classified as small, 15 per cent as medium and 10 per cent as large businesses. Large companies dominate the fishing and mining sectors (50 per cent and 44 per cent respectively), owing to the nature of the sectors, while micro enterprises are predominately involved in the agricultural sector (83 per cent), other economic activities (79 per cent), wholesale and retail trade (48 per cent), accommodation and restaurants (46 per cent) as well as in manufacturing and processing (45 per cent).

Figure 2 Share of respondents by number of employees



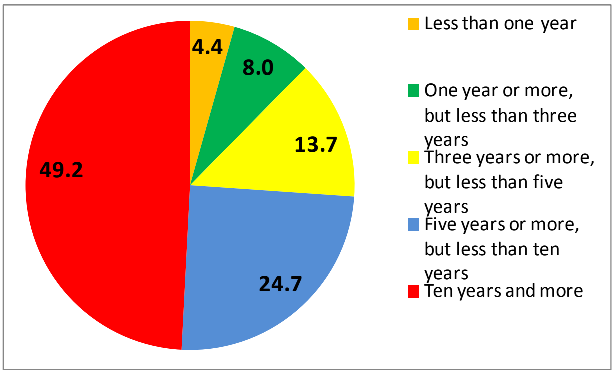
Almost the same proportion of female and male respondents are involved in micro enterprises (45 per cent and 42 per cent respectively), while 12 per cent and 8 per cent respectively of them are working in large companies.

The Omusati region is characterised by micro and small businesses accounting for 95 per cent of all respondents interviewed telephonically. The Kunene and Hardap regions follow next with 84 per cent and 83 per cent respectively. Medium and large firms make up the majority in the Khomas region (56 per cent) followed by the Otjozondjupa (44 per cent) and Oshikoto (38 per cent) regions.

Years of operation

Three quarters of the responding businesses can be described as well-established companies since they have been **in operation for more than five years**. Almost half of all responding enterprises were established more than ten years ago. Businesses in the informal sector tend to be younger than those being registered with MTI. 23 per cent of informal enterprises were established up to three years ago and 33 per cent more than ten years ago compared to nine per cent and 54 per cent of formal sector businesses respectively. There is not only a correlation between the age of a company and its registration with MTI, but also between the size of a company and its age. None of the large companies was established within the past year and only one per cent was set up within the past three years. **Micro enterprises** on the other hand have been **in operation for a shorter period of time**. About 21 per cent started their businesses up to three years ago, and only a third (34 per cent) compared to 84 per cent of large firms have been in business for more than ten years. This correlation between the size of the company and its years in operation could be indicative of businesses growing slowly over time, moving from a micro- or small enterprise to a medium- or large one. From a business perspective it is certainly healthy to expand slowly and increase the production capacity with growing demand. However, the responses could also be interpreted differently – it could be that only few medium-sized and large companies started operating in the past three years (four per cent and one per cent respectively), which does not bode well for a rapid growth of the economy and the creation of job opportunities.

Figure 3 Years of operation



Substantially more young companies (less than three years old) are found in the Kavango (22 per cent of respondents) and Erongo and Hardap (17 per cent each) regions than on average across the country (12 per cent). On the other hand, more than two thirds of the responding companies from the Omaheke (69 per cent), Kunene (68 per cent) and Oshikoto (67 per cent) have been operating for more than ten years.

Business Confidence

Uncertainty prevails in the global economy which is characterised by high unemployment rates (particularly in Eurozone countries and the USA), budgetary constraints, sovereign debt crises and trade imbalances. This is compounded by security risks in some regions that could affect the supply of crucial raw materials such as oil and gas. Economic growth forecasts have therefore been downgraded throughout 2012. As a commodity-exporting country, Namibia depends largely on the global demand for her raw materials. It is therefore interesting to compare the mood of the Namibian business community with global business sentiments. Some questions in the survey try to capture business sentiments, including the rating of the economic conditions that prevailed in 2012 as well as expectations for 2013; the intention to invest in business expansion; the replacement of equipment; Research & Development, and the intention to create more jobs. The intention to invest – or not – as well as to increase the workforce are regarded as indicators of confidence in the Namibian economy.

General economic conditions

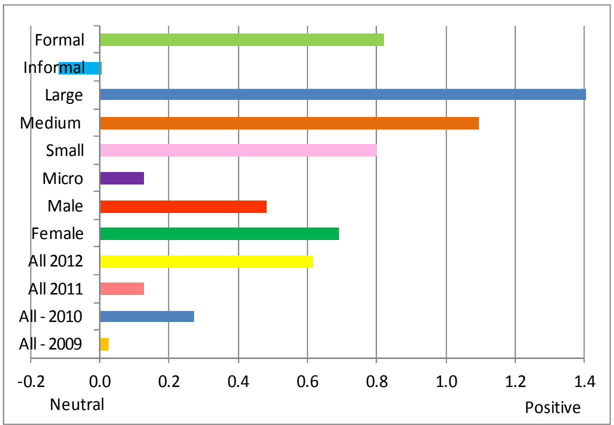
Despite the slow path of global economic recovery, the business sector viewed **domestic economic conditions in 2012 as positive**. On the scale from -2 (very poor economic conditions) to +2 (very good conditions) the average ranking was 0.61 for 2012. This represents a considerable improvement compared to 2011 (+0.13) and is the best rating since the inception of the namBIC. The **actual economic conditions in 2012 turned out to be better than expected** at the end of 2011, when respondents rated the economic prospects for 2012 on average at +0.40.

Except for the informal sector that rated the business conditions slightly negatively, all other categories provided positive feedback. In particular **large companies are upbeat** (+1.41), followed by medium and small companies (1.09 and 0.80 respectively) clearly indicating that size matters. While this is in line with previous years' responses (large companies were more positive than smaller ones), female respondents are more positive (0.69) this time than their male counterparts (0.48), contrary to previous years.

Not only does size matter, but age as well. The longer the company has been in operation, the more positive it was about the business conditions in 2012. The rating ranged from +0.21 for companies that were created up to a year ago, to +0.71 for companies that have been operating for more than ten years.

Respondents from the transport and communication sector were most positive (+1.63), followed by respondents from the fishing (+1.00) and the construction sectors (+0.91). Only businesses in the agricultural sector rated the conditions as slightly negative (-0.11), while the average rating of businesses involved in other economic activities amounted to exactly 0.00.

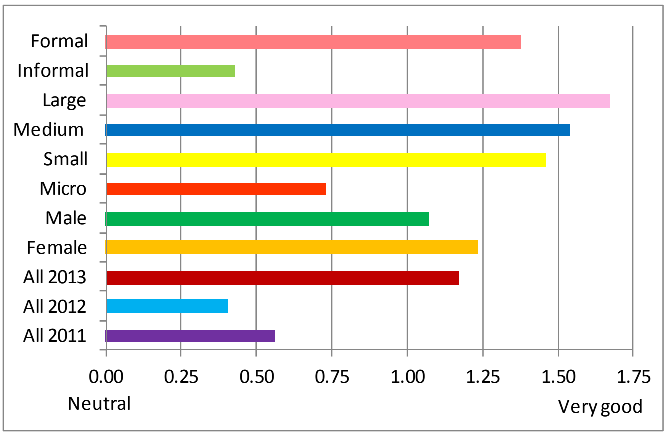
Figure 4 Rating the economic conditions in 2012



The **positive mood** concerning the business climate in 2012 is **even more elevated** when it comes to prospects **for 2013**. The rating follows the same patterns described above, with **large companies being most positive** about business prospects in 2013 (+1.67), followed by medium (+1.54) and small enterprises (+1,45), while micro enterprises are trailing behind although they are also somewhat confident (+0.72). Again, the longer companies are in operation the more optimistic they are about the new year, with the exception of enterprises that were set up between one and three years ago. They are slightly more cautious (+0.79) than businesses in operation for less than a year (+0.83). Respondents of businesses set up more than ten years ago are most confident about the prospects (+1.25).

Respondents from the transport and communication sector remain the most optimistic (+1.90), followed by respondents from mining and construction companies (both +1.50) and the financial sector (+1.32). The agricultural sector finds itself once again at the bottom of the scale, although respondents are positive (+0.78) as are business people involved in other economic activities and in fisheries (both +0.83).

Figure 5 Expected economic conditions in 2013



The responses resulted in an **overall rating of expected economic conditions in 2013 of +1.17** which exceeds the ratings in previous years, as the figure below illustrates.

Investment and employment plans

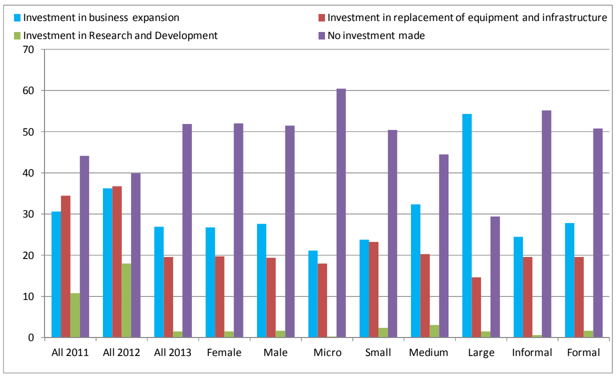
Businesspeople were asked whether they made any significant investment in the expansion of their business, in the replacement of equipment and/or in Research & Development (R&D) during 2012 as well as about their intention to invest in these three categories during 2013.

Although the business mood was quite positive during 2012 it did not lead to major investment decisions. **52 per cent of the respondents** indicated that they **did not invest during 2012**, up from 40 per cent a year earlier. In particular micro enterprises were reluctant to invest (61 per cent), followed by small (50 per cent) and medium enterprises (44 per cent). Investments were dominated by large companies, of which 71 per cent invested in one form or another, indicating clearly that size mattered in investment decisions. The proportion of businesses that did not invest increased in all categories compared with the previous survey, but the increase was most pronounced for medium and large companies. On a regional note: Two thirds of firms in the Erongo region neither expanded their business, nor replaced equipment or invested in R&D. Companies in the Kavango region followed suit (60 per cent did not invest), with the Khomas region in third place (57 per cent) and the Caprivi and Ohangwena regions sharing fourth place (54 per cent). The Oshana region on the other hand benefitted from above-average investment (only one quarter of respondents did not invest), while this proportion rose to 37 per cent and 38 per cent in the Kunene and Oshikoto regions respectively.

The fishing sector led the investment drive, with only 17 per cent of respondents indicating that they did not invest. Above average investment took also place in the transport and financial sectors (33 per cent of companies did not invest in both sectors) and the construction sector (45 per cent did not invest). Least inclined to invest were respondents from the sectors 'other economic activities' (72 per cent), 'real estate' (70 per cent) and 'mining' (63 per cent).

The gap concerning investment decisions between the informal and formal sectors closed in 2012 vis-à-vis 2011. In 2011, 51 per cent of informal businesses indicated that they did not invest compared to only 23 per cent of the formal sector. In 2012, the proportion almost matched, namely 55 per cent of informal and 51 per cent of formal enterprises that did not invest. Unlike in the previous year there was no strong correlation in 2012 between the age of a firm and its decision to invest. Companies that have been in operation for less than a year head the no-investment group with 72 per cent. The proportion fluctuated for the other categories between 48 per cent (three to five years in operation) and 58 per cent (set up between one and three years ago). One would generally assume that the longer a business is in operation the greater the need for the replacement of equipment and for investment in R&D. In order to stay competitive, new, more efficient production technologies are needed and new, innovative products need to be added to the existing range of goods and services. The responses, however, do not corroborate this assumption.

Figure 6 Significant investment made during 2012, in per cent of respondents



Most of the companies that did invest, expanded their business operations during 2012, but only a negligible minority spent money on Research & Development (1.5 per cent of all respondents). More small and medium-sized enterprises allocated funds to R&D (2.4 per cent and 3.0 per cent respectively) than large or micro enterprises (1.4 per cent and 0.3 per cent respectively). Furthermore, R&D expenditure was mainly driven by companies that have been in existence between one and three years (3.8 per cent) and between three to five years (2.2 per cent), while only 1.2 per cent of the older companies invested in this area, and none of the recently-established businesses.

The **low priority regarding R&D** in Namibia is **reflected in** the **country's international ranking**. Based on the Global Competitiveness Report (GCR) 2012-13, Namibia ranks 86th of 144 countries in terms of business spending on R&D[2]. This represents an improvement by seven places compared to the previous GCR. Contrary to this improvement, the country slipped nine places to 101st in the main category 'Innovation', of which company spending on R&D is one of the seven components.

> The results of the namBIC surveys and the country's international ranking show that the business sector has not paid much attention to R&D. There is therefore a need to implement urgently the strategies outlined in NDP4 and the Industrial Policy aimed at strengthening Innovation, Research & Development, since investment in R&D lays the foundation for future competitiveness and economic growth. The partnership between NCCI and the Namibia Business Innovation Centre provides a starting point to increase the outreach of RDI to the business community and could potentially benefit the SME sector.

Contrary to the overall rating of the economic conditions that improved considerably between 2012 and 2013, investment sentiments took a knock. Not only did fewer companies invest during 2012; they also **intend to invest less than average during 2013**.

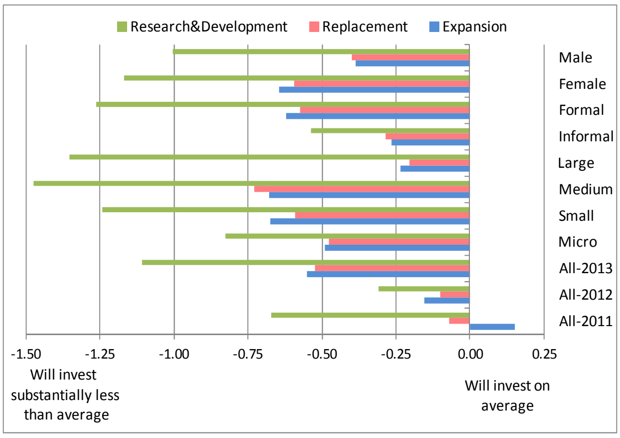
On the scale ranging from -2 (will invest substantially less than average) to +2 (will invest substantially more than average), investment into the expansion of the business scores -0.55 and investment into the replacement of equipment -0.52, meaning business people intend to invest below average. The prospects

[2] World Economic Forum, 2012, The Global Competitiveness Report 2012-2013, page 269.

for investment in R&D are even worse, with a score of -1.11. These responses represent a considerable deterioration of the investment mood compared to the previous year. When asked in 2011 about their intention to invest during 2012, respondents were not as cautious as this time, and rated plans to allocate funds for the expansion of their business at -0.15, for the replacement of equipment at -0.10 and for R&D at -0.31.

In particular, small and medium companies do not show much appetite for expanding their operations (-0.67 and -0.68 respectively), compared to large firms (-0.24). The responses are similar concerning investments into the replacement of existing equipment and infrastructure. Investment into R&D during 2013 receives less consideration in medium and large companies (-1.47 and -1.35 respectively) than in small and micro enterprises (-1.24 and -0.83 respectively). Overall, fewer companies from the formal sector consider putting money into R&D than businesses from the informal sector. Again, companies that have been in existence for more than ten years do not show much interest in any kind of investment.

Figure 7 Intention to make significant investment during 2012



Apparently, businesspeople in the Oshikoto region exhausted their investment funds during 2012, when the region came in third place regarding the proportion of companies that made investments in one way or another. Concerning their intention to invest in 2013, businesses from the Oshikoto region are among the three regions with the least intention to invest in all categories. They rated their intention to expand the business at -0.86; to replace equipment at -0.67 and to invest in R&D at -1.57. Other regions with a rather subdued investment mood include Kunene (-1.05 for expansion), Omaheke (-0.94 for expansion and -0.88 for replacement), Hardap (-0.83 for expansion) and Otjozondjupa and Caprivi (-1.57 and -1.54 for R&D).

While most firms from the Erongo region did not invest during 2012, the region can expect more investments in 2013 than most other regions. The Oshana region on the other hand, which saw more businesses investing in 2012 than all other regions, is most probably in for a continuation of investments. Respondents from the Erongo region rated their intention to invest only slightly negative for expansion (-0.22) and replacement (-0.42) like their counterparts from the Oshana region (-0.30 and -0.24 respectively). Respondents from both regions together with respondents from the Kavango region also rated their intention to invest in R&D less negatively (-0.88) than the overall average (-1.11).

Two economic sectors stand out regarding future investment: Respondents from the fisheries sector are the only ones that provided a slightly positive rating of their intention to expand their business activities (+0.33) and to replace equipment (+0.17), while respondents involved in other economic activities only provided a slightly negative rating for both type of investment (-0.24 and -0.28 respectively). Likewise, these respondents are also more likely to allocate funds for R&D during 2013 compared to all other sectors (rating of -0.50 and -0.69 respectively).

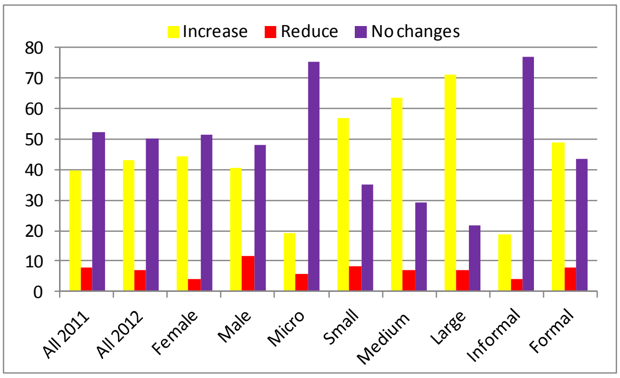
On the other hand, the real estate and business services sector (-1.02 for both categories), the transport and communication sector (-0.87 and -0.73 respectively) as well as the construction sector (-0.79 and -0.61 respectively) are not planning to expand their operations or replace existing equipment to the extent seen in previous years. The real estate and transport sectors also come out on top of the list of companies that show little interest in R&D (-1.46 and -1.50 respectively), only surpassed by the mining sector (-1.80).

Although the investment mood in 2012 was rather subdued, slightly **more companies increased their workforce and fewer reduced it** than during the previous year. 43 per cent of respondents indicated that they employed additional workers during 2012 (while in 2011, 40 per cent increased the labour force) and seven per cent reduced their workforce (compared to eight per cent in 2011). In particular large enterprises were driving the recruitment process (71 per cent), while the workforce in three quarters of micro enterprises remained unchanged. The need to retrench workers was apparently not linked to the size of the business, since almost the same proportion of companies were affected by retrenchments (between six and eight per cent).

Two thirds of responding companies from the fishing sector added workers to the labour force, followed by the transport and communication sector (63 per cent) as well as mining and financial services (50 per cent each). However, 25 per cent of the mining companies also reduced their workforce, followed by fishing companies (17 per cent) and the manufacturing sector (9 per cent). Employees in the accommodation and restaurant and the water and electricity sectors were the luckiest ones, since no retrenchments took place in these two sectors during 2012.

More businesses in the Omaheke (69 per cent of respondents), Ohangwena (64 per cent), Omusati (63 per cent) and Karas (62 per cent) regions created additional jobs than in any other region. On the other hand, relatively few companies in the Kavango (23 per cent), Oshana (25 per cent) and Oshikoto (33 per cent) increased their labour force.

Figure 8 Changes to the workforce during 2012, in per cent of respondents



The **prospects for the labour market remain positive**, although not as positive as in the preceding years. 38 per cent of respondents intend to employ more workers in 2013, down from 46 per cent and 51 per cent in the two previous years. However, the proportion of enterprises that are planning to reduce their staff complement also went down from 2.7 per cent last year to 1.5 per cent this year. The overwhelming number of firms (61 per cent) does not expect any changes in their workforce, which is indicative of the prevailing uncertainties about the direction the economy might take in 2013. However, results from the previous surveys show that the anticipated changes in employment often do not match the actual developments. While 51 per cent of responding business people anticipated in 2010 an increase in their labour force for 2011, only 40 per cent had increased the number of workers a year later. The respective figures for the following year were much closer: 46 per cent of respondents intended in 2011 to recruit additional staff during 2012, compared to 43 per cent that actually did so in 2012. The need to reduce staff numbers was, on the other hand, underestimated. While 2.1 per cent of companies intended in 2010 to cut the workforce in 2011, actually 8.1 per cent had made cuts. In the following year only 2.7 per cent of businesses planned to reduce the number of workers, but in the end 6.9 per cent had to lay off employees. Despite these discrepancies between intentions and their actual implementation, the number of companies planning to increase the workforce is substantially higher than the number that is forced to bring down staff numbers.

Once again, more large enterprises (52 per cent) plan to employ additional personnel than micro enterprises (29 per cent) or medium (38 per cent) and small (44 per cent). None of the large companies expects cuts to their workforce during 2013, and only a few of the micro enterprises (0.7 per cent). If lay-offs are necessary, then they will most likely affect employees in medium-sized businesses (3 per cent).

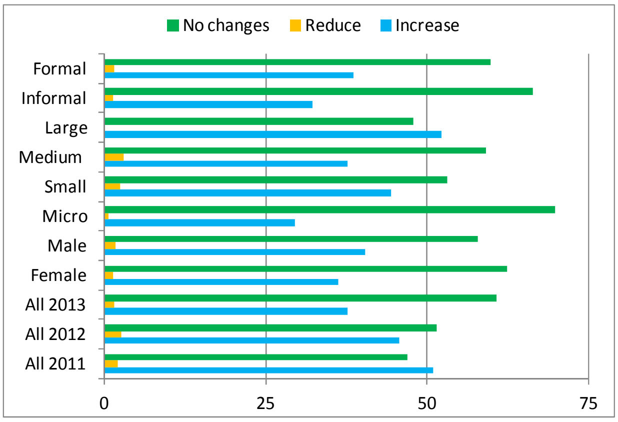
Prospects for additional employment are brightest in the mining and transport and communication sectors (47 per cent of respondents expect additional jobs) and the accommodation and restaurant sector (46 per cent), but rather dim for the agricultural and real estate sectors (11 per cent and 26 per cent respectively).

More enterprises in the Otjozondjupa (57 per cent of respondents) and the Caprivi (54 per cent) regions expect to enlarge their staff complement, while this is the case for only 17 per cent of businesses in the Hardap region, and 19 per cent in the Kavango region.

Companies that rate the labour relationship in Namibia as very difficult are more likely than other companies to reduce the number of employees. 3.7 per cent of them anticipate job cuts, compared to 1.3 per cent of all other respondents.

Moreover, **firms that increased their workforce in 2012 are more likely to continue with expanding employment** than other companies. 62 per cent of the companies that employed additional staff in 2012 intend to increase their staff complement further in 2013, compared to 39 per cent of companies that laid off workers in 2012 and 17 per cent that kept employment unchanged. However, only slightly more companies that reduced the number of staff in 2012 anticipate further downward adjustments (2.3 per cent) than businesses that added labour (1.8 per cent) or that left employment levels unchanged (1.2 per cent). More than four out of five companies that did not make any adjustments to their labour force during last year plan to maintain their current level of employment.

Figure 9 Intention to increase employment during 2013, in per cent of respondents



There is however no clear-cut correlation between the rating of the business climate for 2013 and anticipated employment levels. While more companies that views the climate as very bleak intend to reduce staff numbers and more companies that are very upbeat about the economic prospects intend to add jobs, the responses between these two extreme categories do not display a concise trend. A comparison between the intention to invest and the intention to employ paints an even more interesting picture. Companies that intend to invest substantially above-average in 2013 are much more likely to reduce employment, and are less likely to increase employment compared to other businesses. Presumably, these companies are planning to invest in labour-saving technologies.

The increasing incidence of industrial action in neighbouring South Africa (occasionally violent and with fatalities) as well as a number of strikes in Namibia during 2012 resulted in the inclusion of an additional question in this year's namBIC. Respondents were asked to rate the relationship between the employer and employee on a scale of -2 (very difficult) to +2 (very easy). The overall rating of 0.7 indicates that **labour relationships are regarded as relatively smooth in Namibia**, which should certainly contribute to a favourable business and investment climate. In particular respondents from medium and large enterprises view the relations as unproblematic (rating of +1 for both categories). Furthermore, labour relations in the formal sector were apparently much easier (+0.9) than in the informal sector (+0.1). This could be explained by the lower level of workers' protection in the informal sector, which could place a strain on the relationship with the employer.

Labour relations received a below average rating from respondents in the restaurant and accommodation sector (+0.37), wholesale and retail trade sector (+0.54) and manufacturing sector (0.60), while respondents from the primary sector (agriculture, fisheries and mining) were most positive about it (rating ranged between +1.6 and +1.5).

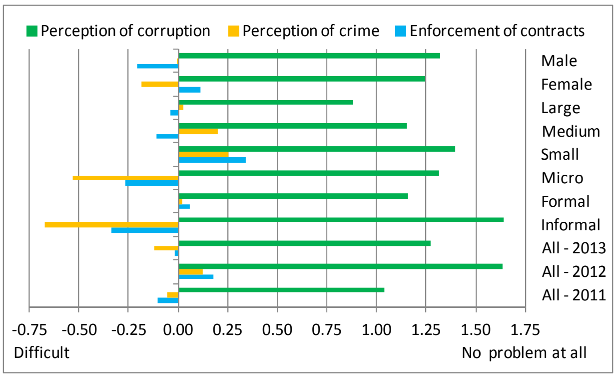
Other factors that impact on business and investment confidence include the prevalence of crime and corruption, and the ease with which contracts can be enforced. **Corruption** received the best rating (+1.27) indicating that it is not perceived to be a problem. However, the rating dropped from the previous year (+1.64). As in previous years, respondents from the informal sector perceived corruption as even less problematic than their counterparts from the formal sector (+1.64 and +1.16 respectively), contrary to the assumption that the informal sector would be more prone to bribery since it operates without registration at MTI. Respondents from large and medium companies were more cautious in their rating (+0.88 and +1.15 respectively) than respondents from small and micro enterprises (+1.40 and +1.31). The rating of corruption between women (1.24) and men (1.32) did not differ significantly. Respondents from the real estate (+0.98), transport (+1.03) and construction (+1.06) were slightly more critical about the prevalence of corruption than the respondents from other sectors.

International surveys, such as the **Corruption Perception Index** published by Transparency International paint a different picture. Although Namibia improved her score from 44 to 48 in 2012[3] on the scale ranging from 0 (highly corrupt) to 100 (clean), the country slipped one place to rank 58 of 176 countries. The score of 48 is the best the country has achieved since 2002 when it scored 50. However, the score indicates that there are challenges with corruption. Likewise, according to the World Economic Forum's **Global Competitiveness Report** 2012/13, 10.7 per cent of respondents to their survey identified corruption as the most problematic factor for doing business in the country, placing it in third position.

[3] Transparency International, 2012, Corruption perception Index

Since it is mainly the larger companies that are participating in these international surveys, the results are also more in line with their responses to the namBIC questions.

Figure 10 Rating of corruption, crime and the enforcements of contracts



The **prevalence of crime** was also rated more critically by all respondents this time and moved into the negative (-0.12 compared to +0.13 a year earlier). In particular the informal sector is more worried about it than the formal sector (rating of -0.67 and +0.02). There was no clear correlation between the size of the business and the rating of crime, as the rating varied between -0.53 for micro enterprises and +0.25 for medium-sized companies with other categories in between these values. Female respondents regarded crime as more prevalent than male respondents (-0.19 and -0.01). As in the case of corruption this is in line with the assumption that women are generally more prone to be victims of crime and corruption than are men.

Perceptions on the **enforcement of contracts and property rights** deteriorated from +0.18 in the namBIC 2012 to -0.02. Both scores are close to zero, implying that it is neither difficult nor easy to enforce contracts. Respondents from the informal sector regarded the enforcement as negative, which is not surprising. Since their businesses are not registered, they face more challenges in seeking legal recourse in case of any disputes. Like in the case of the previous two questions on corruption and theft, there is no clear trend in the responses based on the size of the firm. However, mining companies are much more concerned than any other companies when it comes to the enforcement of contracts and property rights. Their rating of -1.6 indicates that they view the enforcement as very difficult.

Namibia dropped one rank concerning the enforcement of contracts in the World Bank's **Doing Business Report 2013**, to 41 out of 185 countries[4]. This can be attributed to the better performance of other countries, since the rating of none of the three components in this category differed from the previous report. The high cost of enforcing contracts in Namibia that amount to 35.8 per cent of the disputed value is worrying. This will certainly act as a deterrent for businesses, in particular micro enterprises that provided the lowest rating of -0.27 in the namBIC survey, to enforce contracts.

Regulatory Business Environment

The regulatory environment plays a crucial role in establishing new businesses and the efficient operation of them. It eventually impacts on their competitiveness and profit margins. The namBIC questionnaire therefore includes a number of questions concerning various aspects of the regulatory environment.

As mentioned above, more than three quarters of the respondents are registered with MTI and are hence classified as formal businesses. They were asked to rate various aspects of the registration process including the documents required, the time and costs involved as well as the ease of registration. **The rating of the registration process has declined** in all these aspects compared to previous years. The **rating of the ease of registration** by all respondents **dropped** from 0.7 two years ago to 0.5 last year and 0.3 in this year's survey on the scale ranging from -2 (very difficult) to +2 (not difficult at all). While medium enterprises rated the ease above average (+0.5), small and in particular large businesses were more critical (rating of +0.2 and +0.1 respectively). The rating by micro enterprises was in line with the overall average (+0.3). There are a few regions with a slightly negative rating of the ease of registration, namely Omusati (-0.4), Omaheke (-0.3) and Ohangwena (-0.1). Respondents from the Hardap region provided the best feedback on the registration (+1.3) followed by Otjozondjupa (+0.9), indicating that it is seen as easy to register a business in these regions. While respondents from the mining (+0.75) and wholesale and retail trade (+0.53) sectors provided the most positive feedback, respondents from the financial services (-0.34) and constructions (-0.21) sectors were less impressed.

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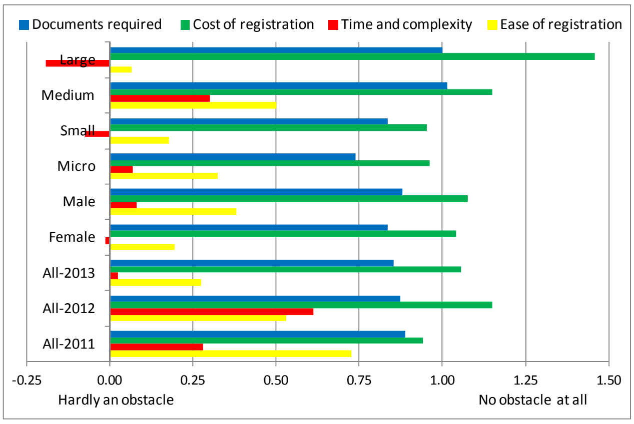
[4] World Bank, 2012, Doing Business Report 2013, p. 183.

The rating of the **time involved in and complexity of registering a company took a dip** as well. The average rating declined from +0.63 in the last survey to just +0.03. Once again, respondents from small and large companies viewed this aspect of the registration process less favourably than their counterparts in other companies. The rating ended up in negative territory with -0.19 (large companies) and -0.08 (small). Medium enterprises provided the most positive feedback (+0.30). The same regions came out on top and at the end of the list as in the ease of registration. Respondents from the Omusati (-0.69), Omaheke (-0.40) and Ohangwena (-0.26) regions were less satisfied, while businesspeople from the Otjozondjupa region did not really have an issue with the time and complexity of the registration process (+0.67).

Once again, mining companies (+0.50) were more positive than other firms except for businesses in the real estate and business services (+0.64) sector. Construction companies (-0.88) and firms operating in the accommodation and restaurant sector (-0. 56) were found on top of the scale on the other side.

Figure 11 Rating the ease of registration with MTI



The **cost of registration** was not of concern to respondents and received the best feedback (+1.06), although also slightly down from the previous year's rating (+1.15). In this case, size mattered. Micro and small businesses rated the costs at +0.96 – still implying that the cost is not an obstacle for registering a company – while medium and in particular large companies did not regard it as an obstacle at all (rating of +1.15 and +1.46 respectively). Business people from the Caprivi (+1.9), Omaheke and Omusati regions (+1.4 both) are not concerned about the registration fees, while the cost raised eyebrows among respondents from the Omusati region (+0.2). The same sectors from the previous questions were found at the top of the two sides of the scale.

Finally, **documents and industry-specific licenses** required for registering a business were not seen as an obstacle. The rating (+0.85) is in line with previous surveys (+0.88 in 2012 and +0.89 in 2010). Micro and small enterprises rated the need for documents slightly less favourably (+0.74 and +0.83) than medium and large companies (+1.02 and +1.00 respectively). However, for respondents from the Kunene region the required documents presented a slight challenge as they are the only ones providing a negative feedback (-0.17). This could be related to the remoteness of the region, even though the upgrading of roads has linked it to other economic centres such as the area of Oshakati.

No clear trend emerges between the age of a firm and respondent's view of the whole registration process, with the exception of companies that were established within the last year. They considered the four components of the registration process less positively than all other companies. Ease of registration received a rating of +0.06 compared to an average of +0.27, time and complexity -0.64 (average of +0.03), cost of registration +0.71 (average of +1.06) and the need for documents +0.36 (average +0.85). Since they have relatively recently set up their business, they might lack experience in dealing with the bureaucracy and are therefore more critical of the process.

Namibia's **international ranking** in starting a business indicates that there is substantial room for improvement. The **country slipped further down the rankings**, from place 124 and 125 (one and two years ago) to 133 in 2012 out of 185 countries based on the World Bank's Doing Business Report 2013[5]. Since only one of the four components used to establish the ranking in starting a business has deteriorated slightly, the poorer ranking can be ascribed to other countries simplifying the process of setting up a business more quickly than Namibia does.

The establishment of a one-stop centre dealing with all application forms and providing all relevant information for establishing and running a business would increase the efficiency of service delivery and cut the cost and time of companies needed to deal with the bureaucracy. All information and forms should be made available on a dedicated website in order to improve access.

[5] World Bank, 2012, Doing Business report 2013, p. 183.

Linked to the registration process is the question of whether companies sought advice from the Ministry of Trade and Industry. The result shows that **fewer respondents approached MTI for advice** than in previous years. One in five business people sought advice from the ministry compared to one in three a year earlier, and one in four two years ago. Size and age of the business do not seem to influence the need for advice, since around 20 per cent of respondents in all these categories approached the ministry. The proportion of formal companies was higher than that of informal businesses, but even ten per cent of the respondents from the informal sector went to the ministry.

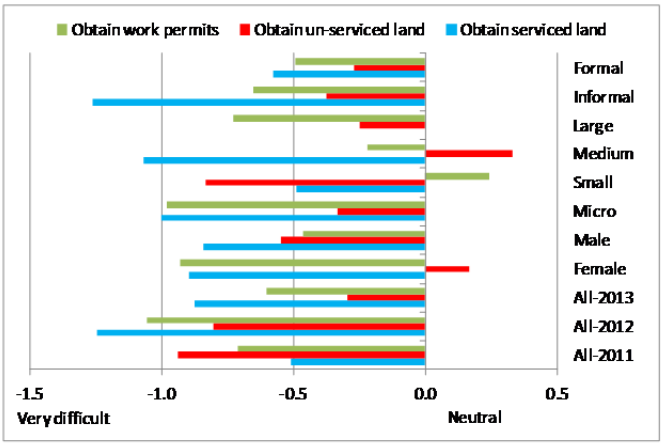
There were **regional variations in the responses**. Only 6.4 per cent and 7.1 per cent of respondents from the Kavango and Ohangwena regions made use of the ministry's expertise as opposed to 43.5 per cent in the Otjozondjupa region. The satisfaction with the advice received has returned to positive territory from -0.21 in 2012 to +0.27 now.

As recommended last year, there is a need to clarify the expectations of the private sector concerning the services they expect from the ministry and the services the ministry can actually provide.

Regulations affecting the establishment and operation of an enterprise stretch beyond the requirements of the registration process. Access to professionals from beyond Namibia's borders when skills are not sufficiently available in the country; access to business premises; participation in the tender process; border procedures and the handling of tax returns by the Receiver of Revenue are all areas affecting the operations of the private sector in one way or another. There have been improvements in some of these areas, but in others the situation had deteriorated.

The skills gap and access to foreign professionals was one of the topics discussed at a Public-Private Dialogue about two years ago. The responses to the question on the ease of getting **work permits** indicate that there had been a **slight improvement** in the situation. Although the overall rating remained negative (-0.60) it had improved compared with the year before (-1.06) and two years ago (-0.71). **In particular micro** (-0.98) **and large enterprises** (-0.73) **struggle** with getting work permits approved, while this is not really the case with small companies that rated the process slightly positive (+0.24), or medium companies (-0.22).

Figure 12 Rating the process of obtaining work permits and land



Access to land for business premises was another topic that featured at a Public-Private Dialogue. Fewer companies indicated during this survey that they are in need of land – 32 per cent compared to 45 per cent and 37 per cent in the two preceding years. The demand for serviced land (land with basic infrastructure) clearly outweighs the demand for un-serviced land. **26 per cent of the respondents are looking for serviced land**, compared to five per cent who are in need of un-serviced land. The percentage figures dropped for both categories from 35 per cent and ten per cent respectively in the previous survey. **In particular informal businesses are in search of land** (53 per cent and six per cent for serviced and un-serviced land respectively); while the percentage for formal enterprises is much lower (19 per cent and five per cent respectively). **Size matters** concerning the demand for serviced land: 41 per cent of micro enterprises indicated a need, but the percentage dropped progressively to just six per cent of large enterprises. The demand for un-serviced land did not differ between the various size categories.

There are, however, **regional variations in the demand for land**. While only ten per cent of respondents from the Oshikoto region are looking for land (and all are demanding un-serviced land), the neighbouring region of Oshana reflected the highest demand: 51 per cent and 13 per cent of the respondents from this region indicated demand for serviced and un-serviced land respectively. Other regions with a high demand include Erongo (46 per cent) and Omusati (37 per cent). Caprivi (15 per cent), Karas (16 per cent) and Hardap (17 per cent) find themselves at the other end of the scale.

While the **demand for serviced land exceeded the demand for un-serviced land**, respondents viewed the

access to serviced land as **more challenging** than to un-serviced land. However, the rating of the ease of access to land improved for both categories, although it remained negative. Access to serviced land received a rating of -0.9 (up from -1.2 a year earlier) and access to un-serviced land improved from -0.8 to -0.3. Only large companies rated access to serviced land as neutral; all other businesses viewed it as challenging, while there was no clear trend in the rating of access to un-serviced land. Businesses from the informal sector struggle more with the access to serviced land (rating of -1.3) than companies in the formal sector (-0.6), which is not surprising. Their views, however, did not differ concerning access to un-serviced land.

Business people from the Kavango and Oshana regions considered access to serviced land as most challenging (-1.3), while access appears to be relatively easy for respondents in the Khomas region (-0.2).

The majority of respondents (52 per cent) identified the **cost of land** as the **main obstacle to access land**, followed by bureaucratic procedures (24 per cent) and availability (23 per cent). This is an almost true reflection of the ranking a year ago (55 per cent, 22 per cent and 24 per cent respectively). More micro enterprises (53 per cent) regarded the cost of land as the main obstacle than large enterprises (48 per cent). Large companies (35 per cent), on the other hand, were more concerned about the bureaucracy involved in obtaining land than micro companies (20 per cent) and small and medium businesses (both 26 per cent). Land prices caused major headaches for companies in the Otjozondjupa (83 per cent of respondents) and Erongo (74 per cent) regions, while it is of less concern to respondents from the Caprivi (25 per cent) and Kavango (29 per cent) regions. The bureaucracy (50 per cent of respondents from Caprivi) and the availability of land (58 per cent in Kavango) top the list of concerns in these regions.

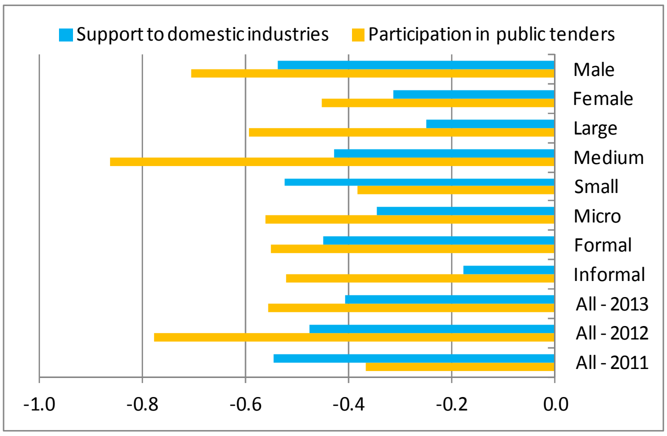
Government plays an important role in the economy, not only by setting and enforcing the regulatory framework, but also through its purchasing power. Procurement and tender procedures can be used as tools to stimulate the growth of domestic businesses, of SMEs or other segments of the private sector that government aims to empower. Respondents were, therefore, asked how supportive current **tender procedures** are for the development of domestic industries and how easy it is to participate in public tender processes.

The rating of both (the **supportiveness of public tenders for the domestic private sector** and the ease of participation in public tenders and procurements) remained negative, although it has improved slightly over time. The **support to local businesses was rated -0.41**, up from -0.48 and -0.54 one and two years ago. Respondents from the formal sector were more critical (-0.45) than their counterparts from the informal sector (-0.18). Large companies apparently derived more benefits from public procurement as they regard the tender system as more supportive (-0.25) than medium (-0.43) and small (-0.52) enterprises. The rating by micro enterprises (-0.35) was somewhere in between.

Respondents from the Ohangwena and Kunene regions regarded the tender system as not supportive (rating of -1.11 and -1.07 respectively), while respondents from the Caprivi and Kavango regions perceived it as slightly positive (rating of +0.43 and +0.06 respectively).

It remains **not easy** for businesses **to participate in public tenders and procurement**, although the overall rating improved from -0.78 to -0.56 on the scale of -2 (very difficult) to +2 (very easy). Medium enterprises are apparently most negatively affected since they rated the procedures as most challenging (-0.86), followed by large and micro enterprises (-0.59 and -0.56 respectively), while small businesses were not as critical of the process (-0.36). The results suggest that company size does not play a role in the ease of participation. Likewise, the degree of formality does not appear to matter either, since formal and informal businesses had almost the same perceptions (-0.55 and -0.52 respectively). However, responses from the informal sector should be viewed with some caution, since tender procedures usually require a certificate of good standing with the Receiver of Revenue, and hence registration with the Local Authority and MTI.

Figure 13 Perception of the public tender system



Respondents from the Caprivi and Kavango regions perceive the ease of participation as slightly positive (+0.57 and +0.30 respectively) and rate the supportiveness of public procurement more highly than other regions (+0.43 and +0.06 respectively).

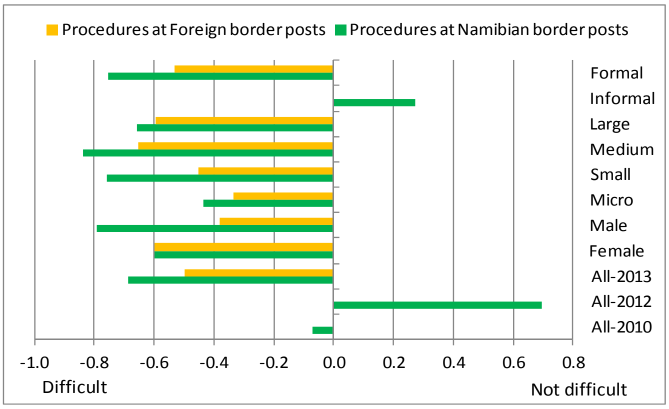
Respondents from the Omusati (-1.19), Oshana (-1.00) and Erongo (-0.96) regions provided the lowest rating for the ease of participation, and respondents from the Kunene (-1.07) and Ohangwena (-1.11) regions are most critical concerning the supportiveness of public procurement to the private sector.

The small market size of the Namibian economy in terms of population compounded by the unequal distribution of wealth forces businesses to look across its borders for customers in order to exploit economies of scale. Efficient border procedures on the Namibian side as well as the foreign side of the border play an important role in the competitiveness of local companies involved in exports and imports.

Slightly more than **a quarter of all businesses** (26.4 per cent) participating in the survey are **involved in cross-border trade**, consisting of 7.6 per cent of all informal businesses and almost one third of formal enterprises (32.2 per cent). These were mainly companies operating in the manufacturing, wholesale and retail trade and mining sectors. They were asked to rate the procedures on the Namibian side of the border and the foreign side. Procedures at the Namibian side of the border were rated worse than on the foreign side and, even more worrying, were rated much worse than in the previous year. **Border procedures on the Namibian side** were not a great source of concern to traders in the namBIC 2012, as the rating of +0.70 suggests. However this has changed dramatically since then as the rating of -0.69 in this year's survey indicates. This is below the rating of the procedures on the foreign side of the border (-0.50). Informal businesses viewed the procedures on both sides of the border more positively than formal businesses. The Namibian border procedures received a rating of +0.27 from the informal sector compared to -0.75 from the formal sector, which implies that the formal sector considers the procedures a hindrance to trade. The gap in the rating between the two categories closed regarding the assessment of **foreign border procedures** – a rating of 0.00 and -0.53 respectively.

There is no clear correlation between business size and the perception of border controls. Medium (-0.84) and small (-0.76) companies perceived the procedures on the Namibian side as slightly worse than large (-0.66) and micro enterprises (-0.44). Procedures on the foreign side of the border appear to affect larger businesses more adversely than smaller enterprises. The rating of micro (-0.33) and small (-0.45) companies was more favourable than the rating of medium (-0.65) and large enterprises (-0.59).

Figure 14 Rating of border procedures



Manufacturing and wholesale and retail trade companies were less impressed with the border procedures than the average respondent. The procedures on the Namibian side received a rating of -0.8 from both sectors, while the procedures on the foreign side were rated better: -0.7 and -0.5 respectively.

More research needs to be done to determine the underlying factors for the deterioration of the rating of the Namibian border procedures, since cumbersome border procedures will severely affect Namibia's ambition to become the logistic hub in Southern Africa as envisaged in NDP4 and to be the most competitive nation in SADC.

Although Namibia **improved** her **ranking concerning cross-border trade** in the World Bank's Doing Business Report 2013 by moving up two places to 140 out of 185 countries compared to 2012 and by thirteen ranks compared to 2011, the country finds herself in the bottom quarter of countries. The improvement was achieved by reducing the time to import or export by four days. The improvement was also reflected in the World Economic Forum's Global Enabling Trade Report 2012, since Namibia moved up five ranks to place 70 out of 132 countries. The **Logistics Performance Index** (LPI) also published by the World Bank paints a more positive picture of the country. Namibia improved her ranking substantially from 152 in 2010 to 89 of 155 countries in 2012. The time and costs to export or import goods differ in the LPI from the figures stated in the Doing Business Report.

There is a need to conduct a domestic study on the actual time and cost involved in cross-border trade, since the international surveys provide rather conflicting data.

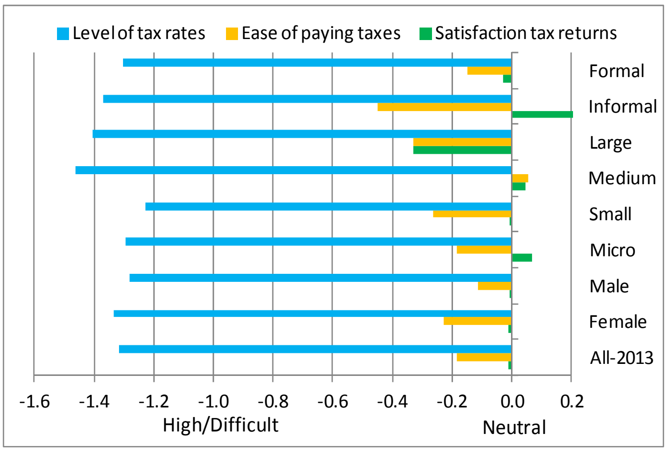
Three questions concerning the **Namibian tax system** were included in this year's survey. They cover satisfaction with the handling of tax returns by the Receiver of Revenue, the ease of paying taxes as well as the level of tax rates. 16 per cent of all respondents indicated that they do not pay taxes. Surprisingly, one third of businesses operating in the informal sector are tax payers. This information should be viewed with caution however, since at least registration for Value Added Tax (VAT) requires being registered with MTI and the Local Authority.

Despite regular complaints by companies over lengthy procedures for reclaiming input VAT, the **handling of tax returns** by the Receiver of Revenue (RoR) received the most favourable rating of all three aspects of Namibia's tax system. The rating of -0.1 by all respondents indicates that they were neither dissatisfied nor satisfied with the RoR. The rating was not influenced by the size of the business. Micro and medium enterprises were slightly more satisfied (+0.07 and +0.04 respectively) than small (-0.01) and in particular large firms (-0.33). The same holds true for an analysis based on the years of operation of the company. Businesses in operation between one and three years were most satisfied (+0.45), while companies in business for less than a year or more than ten years were least satisfied and provided almost the same rating (about -0.06).

The responses indicate that some regional offices of the RoR do a better job than others. Respondents from the Otjozondjupa, Omaheke and Caprivi regions were at least slightly pleased with the handling of tax returns (rating of +1.00, +0.58 and +0.40 respectively), while the tax offices in the Kunene, Hardap and Khomas regions received a rather poor rating (-0.47, -0.27 and -0.20 respectively).

Similar trends emerged regarding the **ease of paying taxes**, although the overall rating was more negative (-0.18). Once again, the negative sentiments were led by large (-0.33) and small enterprises (-0.26), while only medium companies provided a slightly positive feedback (+0.06). Respondents from the informal sector were most concerned about the procedures for paying taxes, as the rating of -0.45 suggests compared to a rating of -0.15 by formal businesses. Once again the responses showed some regional differences. The Caprivi region (+0.50) was once more among the top three performers, followed by the Hardap (+0.27) and Otjozondjupa (+0.26) regions. The Omusati region on the other hand received the least favourable rating (-0.83) this time, ahead of the Kunene (-0.76) region. There was not much disagreement amongst respondents from the different sectors concerning the handling of tax returns as well as the ease of paying taxes.

Figure 15 Rating the Namibian tax system



It is unlikely that the Receiver of Revenue will ever please business people with the **level of tax rates**, so a cautious or negative rating is to be expected. However, the extent to which respondents rated the tax levels as too high did come as a surprise. The rating of -1.31 on the scale of -2 (very high) to +2 (very low) clearly indicates that **business people regard tax rates as too high**. The variation in the rating between the various categories of companies was narrower than the responses to the previous two questions. Medium and large enterprises were most critical of the tax rates (-1.46 and -1.40 respectively), but small (-1.23) and micro (-1.29) enterprises followed quite closely behind. Respondents in the Kunene (-1.59), Khomas (-1.43), Kavango and Otjozondjupa (both -1.39) regions were least satisfied with the current tax levels, while the Hardap (-1.07) and Karas (-0.90) regions marked the other end of the scale. However, the rating in these two regions also indicates that tax rates are considered too high.

While the overall rating of the handling of tax returns by the RoR was slightly negative (-0.01), respondents from the wholesale and retail trade (+0.17), mining (0.08) and manufacturing (0.07) sectors were slightly more positive than respondents from other sectors. Respondents from these sectors also rated the ease of paying taxes above the average of -0.18, namely at -0.10, +0.00 and +0.06 respectively. However, mining companies are most critical regarding tax levels in the country (-1.69). The rating is certainly influenced by recent proposals to introduce additional export levies on raw materials and changes in taxes levied on the profit on mining companies. Manufacturing businesses (-1.35) were more or less in line with the average rating, while wholesale and retail trade firms (-1.15) provided a rating slightly above the average but still regard the tax levels as high.

These findings are somewhat **inconsistent with** the **results of international surveys**. The Global Competitiveness Report 2012/13 (GCR) ranks Namibia in 3rd place out of 144 countries concerning the tax rate (total tax rate of 9.8 per cent). Furthermore, only five per cent of respondents to the GCR identified tax rates as the most problematic factor in running a business in Namibia, putting tax rates in eighth position in the list of most problematic factors. Tax regulations were viewed in the GCR as even less problematic, since only 3.9 per cent (rank 12 of all factors) of the respondents regarded them as the most problematic factor[6].

The World Bank's Doing Business Report includes 'Paying taxes' as a component when calculating the country's overall ranking. Namibia dropped ten places in 2013 compared to 2012 to rank 112 of 185 countries. The deterioration in the ranking is owing to an increase in the overall tax rate from 9.8 per cent (consistent with the GCR 2012/13) to 22.7 per cent. Although the Ministry of Finance introduced some export taxes on raw materials, it is doubtful that this has had a significant impact on the overall tax rate. Since there were no major changes in other tax rates, it is not known what led to the re-assessment of the overall tax rate in the latest Doing Business Report[7].

Factors affecting businesses negatively

Respondents were asked to identify the three most problematic factors out of a list of ten affecting their business. The final ranking of the top three factors was based on the allocation of three points to the most problematic factor, two points to the second most and one point to the third most problematic factor. The number of responses was then multiplied with these points.

Contrary to previous years' responses, the business community is overwhelmingly in agreement concerning the factors that affect their businesses negatively. **Access to and cost of finance, access to land and cost of utilities** were jointly identified as the **three biggest challenges** for businesswomen and -men in the country. Places four and five were taken by the **demand for products and services** and **crime and theft**, although there are differences in the ranking between the various categories of companies. Large companies are more concerned about the quality of service delivery of public servants (rank four) which featured in fifth place for medium-sized enterprises, as well as for respondents from the formal sector overall. Furthermore, large firms rated labour market regulations equally with crime and theft as the fifth largest challenge they face. The number of years a company has been in existence does not appear to influence the challenges they face. With the exception of businesses operating for more than ten years that rated the quality of service delivery by public servants as the fifth most important factor instead of the demand for products and services, the ranking followed the overall ranking as illustrated in the figure below.

Responses from a few regions deviated from the overall ranking. **Access to land matters in the Caprivi and Otjozondjupa regions more than in other regions,** taking first place on the list of obstacles businesses are facing. Respondents from the more remote regions ranked distance to markets as a relevant factor for their operations. It came in fourth place in the Karas region and fifth place in Ohangwena, Omusati and Oshana. However, it was not mentioned at all in the region furthest away from major markets (Caprivi), and was only ranked seventh in the Kavango and Kunene regions.

Access to and cost of finance has re-surfaced as the main challenge for all types of businesses after it dropped to fourth place overall last year and to seventh place for medium and large companies. However,

[6] World Economic Forum, 2012, Global Competitiveness Report 2012-13, pp. 268-9

[7] World Bank, Doing Business 2013, p. 183 and Doing Business 2012, p. 115.

despite the increase in financial inclusion from 49 per cent in 2007 to 69 per cent in 2012[8], access to finance is rated in the Global Competitiveness Report 2012/13 as a major challenge. 11.8 per cent of respondents identified it as the most severe constraint only surpassed by access to a well-educated workforce. Otherwise, Namibia scores very well in the GCR concerning financial market development. The country is ranked 44th of 144 countries, well above her overall ranking of 92nd[9]. Affordability of financial services is, however, the weak point within this component, placing the country in 88th position compared to the availability of financial services (rank 55) and the ease of access to loans (rank 64). It remains to be seen whether the SME Bank that opened its doors to the public in December 2012 will have a measurable impact on access to and cost of finance for SMEs in the short term.

Cost of utilities continued to bother businesses, maintaining third place overall as it did last year. It is of greater concern to informal businesses – ranking second on the list – than to the formal sector. It can be safely assumed that the rating is strongly influenced by continuous electricity price hikes necessitated by the need to finance additional generation capacity.

> Price hikes for utilities are to some extent unavoidable, but could be mitigated by offering advice on how to make more efficient use of electricity (avoid the use of electricity at peak hours/tariffs, invest in electricity-saving technology, generate own electricity through solar panels or investment in other renewable energy sources).

Crime and theft are rated a more serious threat to companies than last year. Except for respondents working in medium-sized enterprises that ranked the factor in seventh place, all other respondents placed it either in fourth or fifth place. 7.1 per cent of the respondents to the GCR 2012/13 rated crime and theft as the most problematic factor affecting their business placing it in seventh position of 16 factors. The ranking is hence comparable to the ranking in the namBIC 2013. However, Namibia is rated less favourably in the GCR in terms of cost of crime and violence (place 113 out of 144 countries).

The ranking of crime deteriorated despite new initiatives by the Namibian Police to curb it, such as community policing or the involvement of members of the National Youth Service and the farming community in policing activities.

Figure 16 The five factors affecting the business and investment climate most negatively

	1	2	3	4	5
All	Access to and cost of finance	Access to land	Cost of utilities	Demand for products and services	Crime and theft
Female	Access to and cost of finance	Access to land	Cost of utilities	Demand for products and services	Crime and theft
Male	Access to and cost of finance	Access to land	Cost of utilities	Demand for products and services	Crime and theft
Micro	Access to and cost of finance	Access to land	Cost of utilities	Crime and theft	Demand for products and services
Small	Access to and cost of finance	Access to land	Cost of utilities	Demand for products and services	Crime and theft
Medium	Access to and cost of finance	Access to land	Cost of utilities	Demand for products and services	Quality of service delivery of public servants
Large	Access to and cost of finance	Access to land	Cost of utilities	Quality of service delivery of public servants	Crime and theft / Labour market regulations
Informal	Access to and cost of finance	Cost of utilities	Access to land	Demand for products and services	Crime and theft
Formal	Access to and cost of finance	Access to land	Cost of utilities	Crime and theft	Quality of service delivery of public servants

The **demand for products and services** appears to be a particular challenge for firms operating in the hotel and restaurants sector, since it is ranked second behind access to and cost of finance. Since this sector covers a broad spectrum of businesses ranging from establishments serving tourists to shebeens serving patrons in informal settlements, the reasons for the ranking are similarly wide-ranging. Businesses involved in the tourism sector are affected by global economic uncertainties and hence a drop in demand. Informal businesses serving drinks and food to their customers face tough competition from businesses offering the same range of products and services, and should therefore identify new markets by diversifying their products and services.

Scarcity of skilled labour dropped to the bottom of the list, although it was ranked the most severe challenge by the formal sector and small, medium and large companies a year earlier. There is no obvious reason for this change. Contrary to the ranking in the namBIC 2013, access to a well-educated workforce tops the list of the most problematic areas in Namibia in the Global Competitiveness Report 2012/13 with 15 per cent of

[8] FinMark Trust, 2012, FinScope Consumer Survey 2012

[9] World Economic Forum, 2012, Global Competitiveness Report 2012-13, pp. 268-9

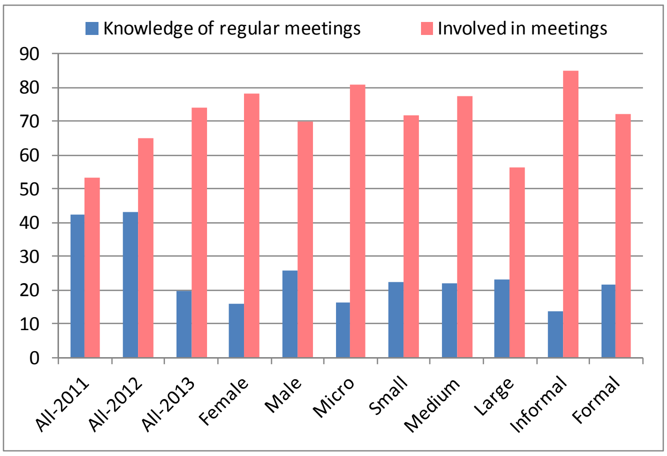
respondents citing it. Other factors that were rated low in the namBIC include **labour market regulations, distance to markets and quality of service delivery of public servants**, with the few exceptions mentioned above. In addition, the construction and restaurant and accommodation sectors regarded labour market regulations as one of the five most severe factors, while the quality of public service delivery is rated by respondents from the mining, manufacturing, transport and real estate sector as one of the five crucial factors.

Public/Private Dialogue and Public Services

There is general consensus that the government sets the framework for the private sector to flourish and provides the necessary support where needed. A formalised and structured dialogue between the public and private sectors would benefit both stakeholders: Government would learn first-hand from the private sector about the challenges they face in their daily operations, and the private sector would be informed about government's plans. A few public/private dialogues were organised by NCCI in cooperation with the Local Economic Development Agency (LEDA) in the south and north during 2012. NCCI initiated also a "Mayoral Business Forum" in Windhoek as a platform for effective dialogue between the business community and the City of Windhoek.

However, only a minority of businessmen and -women were aware of these platforms (20 per cent), which is less than half of the respondents in previous surveys (namBIC2011 – 42 per cent, namBIC2012 – 43 per cent). Invitations to these meetings apparently reached large companies more easily than micro enterprises. While 16 per cent of the respondents employed in micro businesses had heard about public/private dialogues, the percentage increased steadily with the size of the company, reaching 23 per cent of large entities. For obvious reasons, it was harder to spread the information to informal businesses. Only 14 per cent of respondents knew of such meetings, compared to 22 per cent of formal businesses. Some regions were better covered than others, with the Caprivi and Kavango regions virtually excluded. Only eight per cent of respondents from these regions were aware of the events. Other regions scored well below the national average, such as the Hardap (11 per cent), Oshana (12 per cent) and Omaheke (13 per cent) regions.

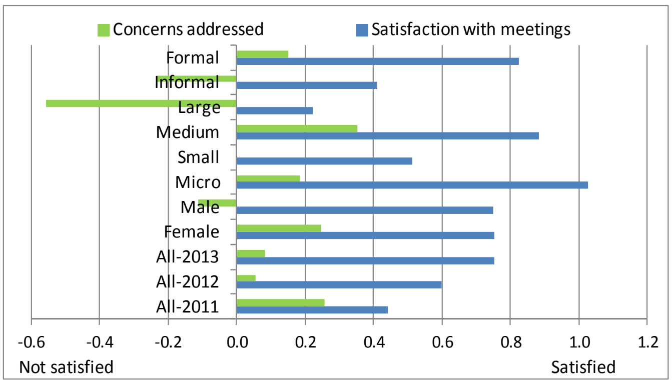
Figure 17 Dialogue between private and public sector



Interest in these meetings is strong and increasing, as the attendance rates indicate. Three out of four persons who had heard about the events attended them, up from 53 per cent (two years ago) and 65 per cent (last year). In particular business people operating in the informal sector attended these meetings (85 per cent), while 72 per cent from the formal sector took part. There was less enthusiasm to participate amongst large companies (56 per cent) than from micro enterprises (81 per cent). The responses displayed some regional variations, although the low number of responses from some regions did not permit a robust analysis.

Satisfaction with these meetings has increased. It received a rating of +0.75 on a scale of -2 (not at all satisfied) to +2 (very satisfied) compared to the rating a year ago (+0.60). However, as in previous years, respondents from large companies were less satisfied (+0.22) than respondents from micro enterprises (+1.03) and small businesses (+0.88). Formal sector representatives were more optimistic about these gatherings (+0.83) than the informal sector (+0.41).

Figure 18 Rating the satisfaction with meetings



But the **attendees** were **not always impressed with the way their concerns were addressed**. While the average rating was +0.08 showing a minor improvement on the previous year (+0.06), respondents from large firms were dissatisfied (-0.56), as were respondents from the informal sector (-0.24) although to a lesser degree. Male respondents were also more critical (-0.11) than responding women (+0.25). Business people in the Khomas region believe that the outcome of these meetings can be improved, as their rating of -0.13 indicates, which is similar to that of the respondents from the Oshana region, while the private sector in the Erongo region is slightly more positive (+0.38) about the results.

NCCI and NMA should spread Information about upcoming public-private sector meetings more widely to reach micro enterprises especially, while they need to ensure that concerns raised are addressed in a more

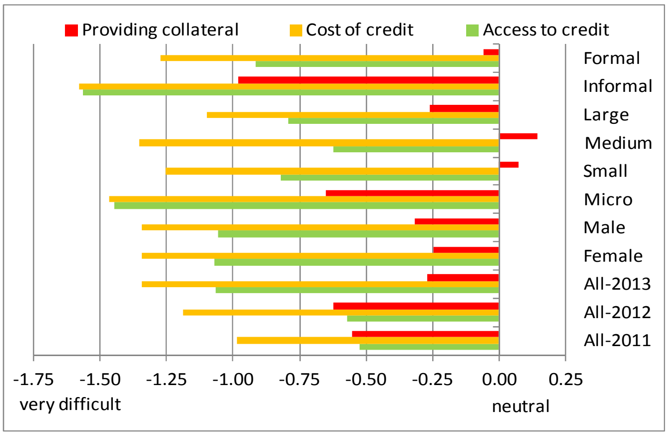
Finance

Access to and cost of finance moved up to the top of the list of respondents' concerns. That the situation has apparently worsened is also reflected in the rating of **access to finance** and the **cost thereof**. Overall, the access to credit is rated as difficult (-1.07), which indicates a significant drop from the previous rating of -0.57. It is not surprising that it affects the informal sector most severely. Respondents from this sector viewed access as very difficult (-1.57) compared to a rating of -0.91 (difficult) from formal sector respondents. Micro enterprises experienced more challenges in accessing loans (-1.45), while being a large company is apparently no longer an advantage. Respondents from large businesses rated access almost as did small enterprises (-0.79 and -0.82 respectively). However, the age of a company plays a role in the ease of accessing credit. Enterprises operating for more than ten years viewed access as difficult (-0.97), but this rating was better than that of companies set up between five and ten years ago (-1.05) or between three and five years ago (-1.20). Worse off were business that started more recently (-1.28).

Only mining companies provided a neutral rating for the access to credit what is not surprising since these are usually international concerns that have access to credit on the international market.

The **cost of credit** was an even greater issue to business people. The rating worsened from -1.19 (namBIC2012) to -1.34. Informal sector respondents rated the cost similarly to access to credit, namely -1.58, compared to a rating of -1.27 by the formal sector. Micro enterprises saw the cost as more of a burden (-1.47) than large companies (-1.10), but they all consider the costs as high.

Figure 19 Rating access to finance



The **rating of access to and cost of credit** was **influenced by the region** in which the company operates. Respondents from the Kavango, Ohangwena and Oshana regions rated both components of financing their business activities worse than respondents from other regions. Access to credit received ratings of -1.37, -1.35 and -1.43 respectively, while the costs were rated at -1.63, -1.61 and -1.60 respectively. The poor rating in the Oshana and Kavango regions is influenced by the face-to-face interviews of mostly small traders and informal businesses. They account for 61 per cent and 64 per cent respectively of all respondents in these regions and rated access to (=1.50) and cost of finance (-1.60) as well as the provision of collateral (-1.04) more negatively than respondents that were contacted by telephone. Access to credit appears to be easiest in the Otjozondjupa (-0.53) and neighbouring Omaheke (-0.64) regions, while respondents from the Caprivi (-0.88) and Oshikoto (-1.06) regions perceived the cost of credit slightly more positively than respondents from any of the other regions.

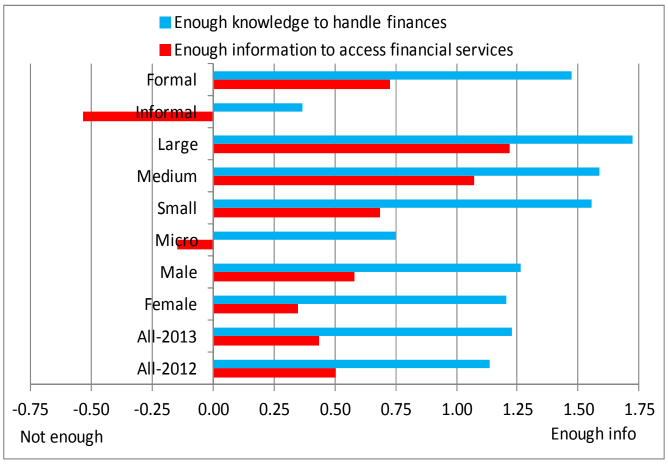
While the situation concerning access to and cost of finance has deteriorated, the **provision of collateral was regarded as less challenging** than in previous years. Although the rating remained in negative territory (-0.27) it had improved since the last survey (-0.62) and that of two years ago (-0.55). The provision of collateral remains difficult for the informal sector (-0.98) though, while respondents from the formal sector viewed it as neither difficult nor easy (-0.06). Surprisingly, it poses more challenges for large businesses (rating of -0.26) than for small (0.07) and medium enterprises (0.14). Micro enterprises are once again the worst affected (-0.65). In some regions it is almost easy to provide collateral, such as Caprivi (+0.75) and Omaheke (+0.62), while it is most difficult in the Oshana (-1.23) and Erongo (-0.50) regions.

Access to finances includes **knowledge of the various financial instruments** available on the financial market. Respondents were therefore asked to rate their level of knowledge of financial services. The rating of 0.43 indicates that they have some kind of knowledge, but not really enough. **The rating is slightly below that of last year** (+0.50). Knowledge increases with the size of the company. Micro enterprises are most critical (-0.15) compared to small (+0.68), medium (+1.03) and large (+1.22) firms. While the informal sector provided an overall negative rating (-0.53), respondents from the formal sector were more confident about their level of knowledge (+0.73). The degree of knowledge differs between sectors. There is apparently a lack of knowledge in companies involved in other economic activities (-0.41) and in the restaurant and accommodation sector (-0.03), while mining companies (+1.56) are not surprisingly very confident about the level of their knowledge followed by firms from the real estate and business services sector (+1.10).

The final question in this section 'finance' referred to the level of knowledge of managing the company's finances effectively. Overall, **business-people were confident that they have the required knowledge to manage their financial affairs**. The score increased from +1.14 last year to +1.23. There are significant differences though between micro and larger companies as well as between the informal and formal sectors. Micro enterprises are less confident (rating of +0.75), while small (+1.55), medium (+1.59) and in particular large businesses (+1.72) are of the opinion that they have sufficient knowledge. The informal sector possesses the skills necessary to manage the finances to a basic degree (rating of +0.37), while businesses in the formal sector have the necessary expertise (+1.47). These results are not surprising. Large companies usually employ skilled personnel dedicated to managing finances, which is seldom the case with small and micro enterprises where the owner is responsible for the administration including finances. Furthermore, smaller businesses often lack the financial resources to employ a person responsible for the finances or outsource this function to a professional third party. This applies in particular for businesses operating in the informal sector.

Mining companies have all the skills and knowledge needed to run their financial affairs (rating of +1.94) followed closely by businesses operating in the transport and communication sector (+1.90) and in the real estate and business services sector (+1.76), while enterprises involved in other economic activities (+0.46) were trailing behind. The latter ones are mainly operating in the informal economy and hence lack in-depth financial knowledge.

Figure 20 Rating of knowledge for managing financial affairs and of information about financial services



Financial information is apparently scarce in the Oshana and Omusati regions as the rating indicates (-0.59 and -0.26). Respondents from other remote regions, however, rated access to information on financial services above the national average, such as respondents from the Karas (+1.22), Caprivi (+1.00) and Kunene (+0.95) regions. Respondents from the Oshana region are also very sceptical about their level of expertise to manage the company's finances (+0.18), while the rating by business women and –men from the Omaheke (+1.94), Karas (+1.88) and Otjozondjupa (+1.83) regions can hardly be improved.

It is expected that the financial literacy programme started in March 2012 will increase the level of knowledge and the ability to manage finances across the country and sectors and result in an improved rating in future namBIC surveys.

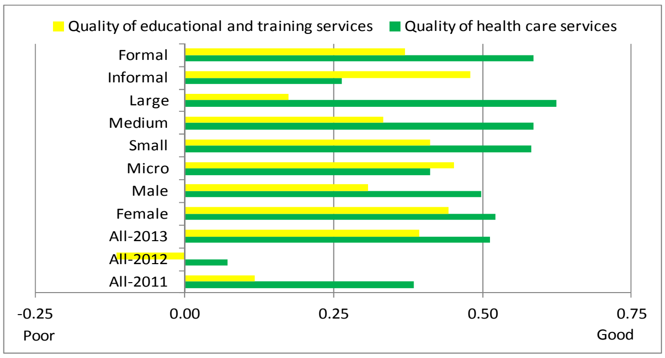
Health and Education

The private sector, like public administration, depends on a well-educated and healthy workforce in order to produce goods and services efficiently and competitively. Hence, the health and education sectors provide vital services for the country's economy.

Perceptions of the quality of health and educational services in the country have improved considerably over the past year. Health services were rated at +0.51 on a scale of -2 (very poor) to +2 (very good), up from +0.07 a year earlier, while the rating of educational services improved from +0.11 to +0.39. The size of the business mattered in the rating of both sectors, but influenced the results in opposite directions: The larger the company the better the rating of health services, while the opposite was true for the rating of educational services. The rating of health services improved from micro enterprises (+0.41) to large businesses (+0.62), while the rating deteriorated from +0.45 to +0.17 respectively for educational services. Similarly, the informal sector was less convinced about the quality of health care services (+0.26) than the formal sector (+0.59), but rated educational services slightly better than the formal sector (+0.48 compared to +0.37).

There are two regions that stand out at opposing ends of the scale. Respondents from the Oshana region provided a low rating on the state of health (+0.06) and education (-0.04) in their region, while business people in the Kavango region were most positive about the quality of service delivery (+0.92 and +1.14 respectively). Education and training services were also rated lower than the national average in the Khomas (+0.14) and Omaheke (+0.19) regions, but higher in the Ohangwena region (+1.00).

Figure 21 Rating of the quality of health and education services



Respondents from the mining sector (-0.50) were the only ones clearly not impressed with the quality of education services followed by the manufacturing sector with a slightly positive rating (+0.09).

The rating of Namibia's health and education system in the latest Global Competitiveness Report[10] is not in line with the findings of the namBIC survey. Not only did the **country slide six places to rank 120 of 144 countries**, but her score deteriorated from 4.6 to 4.4 out of ten points. The trend is worrying since the country has dropped in its ranking since 2009-10 (rank 109) and is placed worse than in 2008-09 (rank 118). Namibia has almost reached the bottom of the list with respect to the business impact of HIV/AIDS (rank 142); the business impact of tuberculosis and tuberculosis prevalence (both 139); and the HIV prevalence rate (rank 138). Regarding the quality of primary education, Namibia is ranked 120th.

In particular the rating of the business impact of HIV/AIDS in the GCR is puzzling, since the Government has rolled out Anti-Retroviral Treatment across the country, which should result in HIV positive persons living a healthier life, and hence a reduction in the cost to companies.

[10] World Economic Forum, 2012, Global Competitiveness Report 2012-13, pp. 268-9

Recommendations

Recommendation 1 – Conduct regular public/private sector meetings

A few public/private dialogues were held during 2012, but fewer respondents were aware of these meetings. It is therefore recommended that NCCI and NMA make additional efforts to reach the target groups using various media ranging from newspaper adverts, media briefing, radio announcements and electronic media such as emails. Furthermore, there is a need to have regular meetings rather than ad-hoc meetings in the various regions, which will certainly increase the rate of attendance.

Furthermore, it is recommended that business associations such as NCCI and NMA support the establishment of a high-level Business Council that meets once or twice in a year and discusses strategic issues, including policy issues, affecting private sector growth and development. The Prime Minister should chair the Business Council and involve ministers from other line ministries, while the presidents of business associations, trade unions and other stakeholders will represent the private sector. The Business Council will ensure that private-public sector consultations are elevated to the highest level and concerns of the business community receive the required attention.

Recommendation 2 – Identify and address cross-border trade issues

The rating of the border procedures on the Namibian side of the border is worrying, particularly given the dramatic decline in the rating. Since Namibia depends on trade and is attempting to become a logistics hub in the region, efficient and effective border procedures are essential. The results of this survey suggest that there is an urgent need for an in-depth analysis of the current situation and close cooperation in addressing the issues between the responsible government institutions and the transport and logistics sector and business associations.

Recommendation 3 – Establish a one-stop-shop and internet portal for investors

The rating of the registration process has deteriorated over the past year. In particular the ease of registration and the time and complexity involved in the process are viewed less favourably than before.

- All relevant information concerning the registration of a business as well as the required application forms should be available on a dedicated, well-maintained and up-to-date website. This would reduce the time and consequently the costs of registering a business. It would also reduce the costs the ministry incurs for providing information and documents. Staff could then be employed for other tasks.
- The establishment of a one-stop shop would save time and costs further. This centre could be established in stages, but should ultimately provide all services related to establishing and running a business. These services should include registration with MTI, Receiver of Revenue, Local Authority and other institutions as well as applications for utilities, investment incentives (if applicable), and industry specific- and work permits. The one stop centre would be responsible for reviewing current application and registration forms from the various institutions involved with the aim of harmonising them as far as possible.

Recommendation 4 – Ease access to land

A public/private dialogue was held in 2011 focusing on access to land and business premises. The results of the namBIC survey suggest that not much has changed since then, although it is acknowledged that change inevitably takes time. A number of measures are needed to address the shortage of land:

- There is a need to review existing legislation with the aim of streamlining and expediting the process of obtaining serviced and un-serviced land. Furthermore, the transformation of customary land rights and Permission to Occupy into freehold leases has to be accelerated.
- The lack of professional land surveyors and town planners compounded by the capacity constraints in local authorities hampers the supply of land. Providing bursaries for students and on-the-job training for employees could address these shortages.
- Land for business purposes should not be used to maximise the revenue of Local Authorities but to attract investment, in particular from micro and small enterprises. The Local Authority – and the economy as a whole – would benefit from additional investment and consequently additional employment through increased revenue from the provision of municipality services such as water and electricity supply to companies and private households.

Recommendation 5 – Encourage and support Innovation, Research & Development

The lack of investment into Research & Development (R&D) and its declining trend does not bode well for accelerated economic development and the future competitiveness of Namibian firms.

- Instead of introducing highly restrictive regulations controlling research in Namibia, government needs to create a conducive environment for investment into R&D and Innovation, while ensuring that the country benefits from the research. A dedicated policy on Research, Development and Innovation is overdue and should be spearheaded by the Ministry of Education involving the private sector, academia, research institutions and other government institutions.
- The National Commission on Research, Science and Technology needs to be capacitated to facilitate and fund research. Furthermore, the establishment of the National Research, Science and Technology Fund should be accelerated in order to assist academic and research institutions as well as the private sector in conducting research.
- Since Namibia ranks 138th out of 144 countries regarding the availability of scientists and engineers (World Economic Forum's Global Competitiveness Report 2012-13), government needs to encourage Namibians to enter these fields as well as to attract experienced professionals from abroad by providing a favourable environment.

Recommendation 6 – Strengthen Namibia's public procurement system

The results of the namBIC Survey 2013 have shown that the public procurement system can be improved in order to support the domestic private sector more effectively. Likewise, the participation of the private sector in the procurement process can be eased.

- The tabling of the Public Procurement Bill envisaged for the 7th Parliamentary Session starting on 12 February 2013 provides an opportunity for the design in close cooperation with the private sector of a transparent, effective and business-friendly tender system.
- Objective criteria for the award of a public tender should be selected in order to reduce the possibility of political influence.
- Tender exemptions should be reduced as far as possible and allowed primarily for emergency situations.

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