





# IMPROVING THE BUSINESS ENVIRONMENT IN NAMIBIA

## 1. Introduction

“Namibian economy is open, dynamic, competitive and diversified – availing resources for poverty reduction, employment creation, provision of social services”  
**Wealth, livelihood and the economy, Vision 2030, p. 63**

“In line with NDP4, we will strive to improve our competitiveness ranking from current position no. 4, to become the most competitive economy in Africa by 2020, according to the World Economic Forum Competitiveness Index and the World Bank’s Ease of Doing Business Indicators”

**Harambee Goal and Outcome #06, Harambee Prosperity Plan, p. 34**

By 2022 Namibia’s competitiveness score [on the World Economic Forum competitiveness index] should be 4.2

**Fifth National Development Plan (NDP5), p. 19**

To be achieved by 2020:

-Namibia is the most competitive economy in the SADC region, according to the standards set by the World Economic Forum.

-Namibia has improved by at least 10 ranks in the “Starting a Business Category” in the World Bank’s Doing Business Report.

**Growth at Home, Namibia’s Execution Strategy for Industrialisation, p. 14**

Namibia’s Fourth National Development Plan (NDP4), which ran from 2012 to 2017, stated that Namibia should be the most competitive economy in the SADC region by 2017. In fact, according to the World Economic Forum’s Global Competitiveness Index, Namibia was the fourth most competitive economy in SADC in 2017, one place higher than it had been at the start of the NDP4 period in 2012.

**Table 1: WEF 2017 Top 12 African nations**

Global Ranking	Country	Region
45	Mauritius	SADC
58	Rwanda	Africa
61	South Africa	SADC
63	Botswana	SADC
71	Morocco	Africa
86	Algeria	Africa
<b>90</b>	<b>Namibia</b>	<b>SADC</b>
91	Kenya	Africa
95	Tunisia	Africa
100	Egypt	Africa
106	Senegal	Africa
107	Seychelles	SADC

The difficulties in achieving the NDP4 target did not discourage government from adopting similar targets across a range of development plans and strategies.

In 2014, the Cabinet adopted the Growth at Home strategy, which had been developed by the Ministry of Industrialisation, Trade and SME Development (MITSD). The three intervention areas of ‘Growth at Home’ are: supporting value addition in production, securing market access and improving the investment climate.

Growth at Home repeated the ambition of NDP4 to be the most competitive economy in SADC but switched the target date to 2020. Growth at Home also said Namibia should improve by 10 ranks in the ‘Starting a Business Category’ in the World Bank’s Doing Business

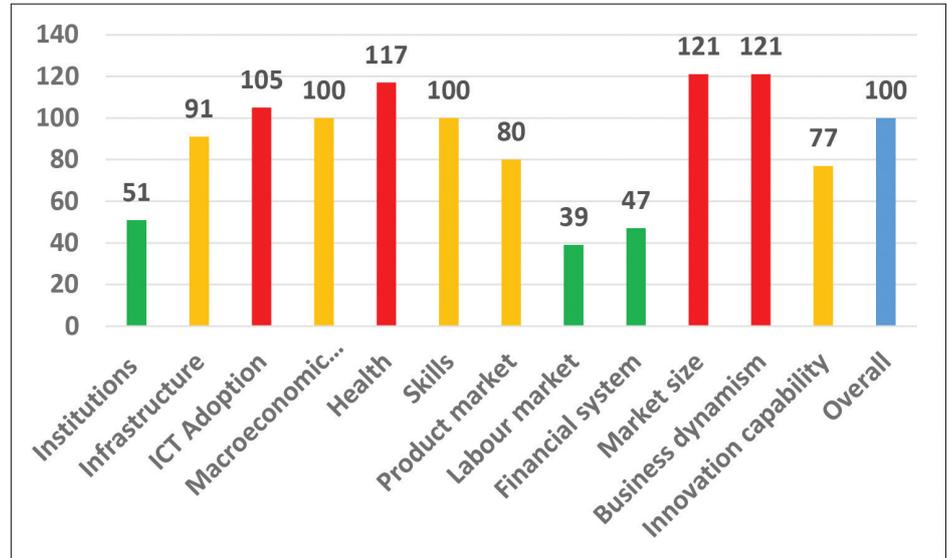




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development, and labour market efficiency but has been rated poorly for the quality of its higher education, health, primary education, business sophistication, technological readiness, macroeconomic environment, and market size.

**Chart 1: Namibia's ranking in the twelve pillars of the World Economic Forum GCR 2018**



Source: Klaus Schade, IPPR Economy Watch November 2018

The 2018 edition of the Global Competitiveness Report revised the pillars on which countries are scored. There are now 12 pillars – Institutions, Infrastructure, ICT adoption, Macroeconomic stability, Health, Skills, Product markets, Labour market, Financial system, Market size, Business dynamism and Innovation capacity. Namibia performed best on the Labour market (39<sup>th</sup>), Financial system (47<sup>th</sup>), and Institutions (51<sup>st</sup>) pillars while the country fared badly on Market size (121<sup>st</sup>), Business dynamism (121<sup>st</sup>), Health (117<sup>th</sup>) and ICT adoption (105<sup>th</sup>).

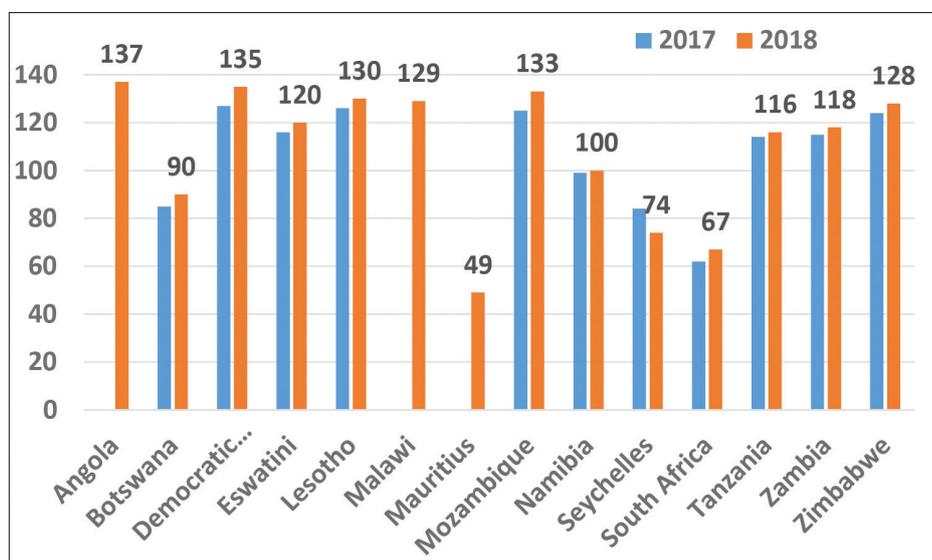
According to the 2018 survey, Namibia ranked fifth in SADC, sixth in Sub-Saharan Africa and tenth in Africa – a long way from the Harambee target of being the most competitive in Africa.

**Table 2: WEF 2018 Top 12 African nations**

Global Ranking	Country	Region
49	Mauritius	SADC
67	South Africa	SADC
74	Seychelles	SADC
75	Morocco	Africa
87	Tunisia	Africa
90	Botswana	SADC
92	Algeria	Africa
93	Kenya	Africa
94	Egypt	Africa
<b>100</b>	<b>Namibia</b>	<b>SADC</b>
106	Ghana	Africa
108	Rwanda	Africa
111	Cape Verde	Africa



**Chart 2: Ranking of SADC countries in the World Economic Forum GCR 2018**



Source: Klaus Schade, IPPR Economy Watch November 2018

**b. The World Bank Doing Business** report is also an annual report that examines ten pillars that are relevant to operating a business across 190 countries. The methodology is based on interviews with in-country stakeholders from the financial, transport, legal and other services sectors including government. The report mostly measures the number of procedures, time and cost of compliance.

In the 2019 edition of the report Namibia was ranked at 107<sup>th</sup> out of 190 countries – one place down on the 2018 results. Namibia is positioned seventh out of the SADC countries assessed.

In the 2006 Ease of Doing Business rankings, Namibia was placed 33<sup>rd</sup> globally, ahead of Portugal and France. The report called Namibia, along with South Africa and Mauritius (the only other countries in Africa higher in the rankings than Namibia) “African success stories” that “can inspire others in the region”.

But since 2006 Namibia has been consistently falling down the rankings, such that by 2019 its ranking was 107<sup>th</sup>, below Mauritius (20<sup>th</sup>), South Africa (82<sup>nd</sup>), Botswana (86<sup>th</sup>), Zambia (87<sup>th</sup>), Seychelles (96<sup>th</sup>), and Lesotho (106<sup>th</sup>).

According to an article in Insight Namibia magazine in July 2017, the only countries to decrease their position in the Doing Business rankings further than Namibia since 2006 were Pakistan, Yemen, and Bangladesh (along with the small nations of Palau, Antigua and Barbuda, Maldives, Saint Kitts and Nevis, Kiribati).

Table 3 shows that over the past five years Namibia has made small improvements on pillars like registering a property, getting electricity, and trading across borders and more significant progress in paying taxes, and enforcing contracts. However, Namibia’s performance has slumped dramatically for starting a business, dealing with construction permits, getting credit, protecting investors, and resolving insolvency.

**Table 3: Doing Business Namibia’s 2014 and 2019 rankings compared.**

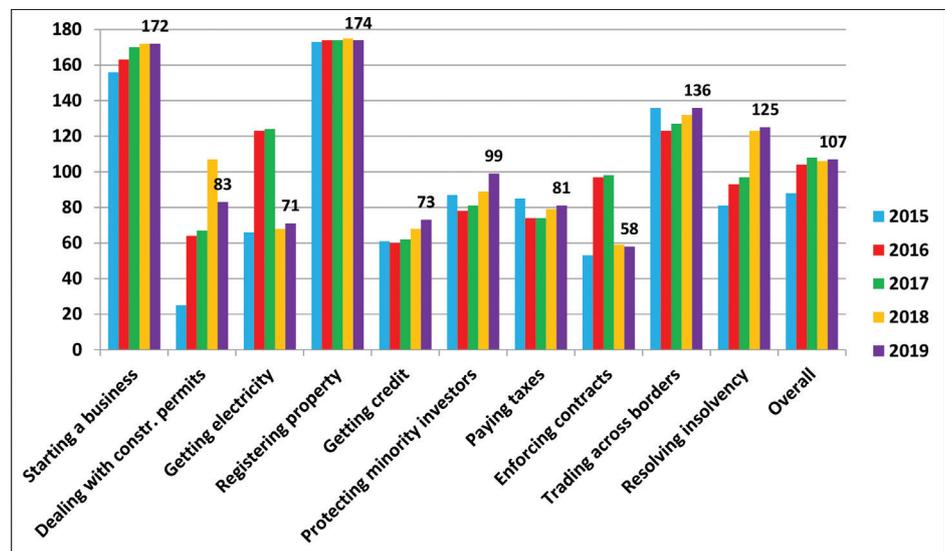
PILLAR	2014 Rank (189)	2019 Rank (190)	Change in Rank
Starting a Business	132	172	▼40
Dealing with Construction Permits	31	83	▼52
Getting Electricity	72	71	▲1
Registering Property	178	174	▲4
Getting Credit	55	73	▼18



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Protecting Investors	80	99	↓19
Paying Taxes	114	81	↑33
Trading Across Borders	141	136	↑4
Enforcing Contracts	69	58	↑11
Resolving Insolvency	85	125	↓40
Overall	98	107	↓9

**Chart 3: Namibia's ranking in the ten pillars of Doing Business – out of 190 countries**



Source: Klaus Schade, IPPR Economy Watch November 2018.

## 3. Why Focus on Investment?

“Competitiveness is how countries create the best economic, social and environmental conditions for economic development. It measures what makes up this development. Things like policies, institutions, and productivity. Striving for competitiveness is striving for rising prosperity. It means creating more opportunities to improve the way people live.”

**What is competitiveness?, World Economic Forum**

Namibia needs both domestic and foreign investment if it is to grow and prosper. Many other factors, laws and policies are needed in addition – but investment is a pre-requisite. The government can also introduce laws and spending priorities that make sure the benefits of investment do not simply go to a narrow band of the population that is already well-off. Welfare grants and schemes can be funded out of the taxes and royalties a government receives from investors, as well as many other basic services. The sought-after consequences of investment are shared prosperity and welfare.

The importance of investment has long been recognised by Namibia's policy makers. However, the need to create conducive investment conditions has become a very obvious national development goal over the last ten years.

Namibia's Growth at Home strategy, adopted in 2014, lists 'improving the investment climate and conditions' as one of its three strategic intervention areas.

The Growth at Home strategy recognises that "Namibia needs to become more attractive to enterprises and investors both domestic and foreign." The focus on 'improving the investment climate and conditions' places emphasis "on addressing Namibia's major competitiveness gaps – particularly in the areas of skills, access to land, and registration of businesses and intellectual property ...

Furthermore, it aims at creating an efficient institutional set-up which ensures collaboration



between the private and public sectors and other stakeholders to jointly address remaining challenges in the business environment.”

The Harambee Prosperity Plan, launched in 2016, places a strong emphasis on economic competitiveness which is one of the sub-pillars under the Economic Advancement pillar. Namibia is seen as achieving competitiveness by addressing a number of constraints in the business environment “including reduction of red tape, simplifying the business registration process and provision of quality skills”.

### **Risk and Reward**

Every investor would normally assess the political and economic risks before making an investment decision which will include a consideration of the business climate in the country. One of the first assessments to be made would be regarding the country's ability to pay back its debts – an indicator of how solid the economy is. Namibia has in general scored well on this front – although rising national debt since 2014 how solid the economy is started to create some doubts among investors, who will often look at sovereign credit ratings for guidance. The recent downgrades by Moody's and Fitch have hit Namibia's reputation in this regard.

Investors do not want to make unanticipated losses and therefore will be on the lookout for policy instability and the possibility of sudden decisions that could hit their bottom lines. Namibia scores well here in the sense that the country has been politically stable for 29 years. However, in recent years the government has introduced both laws and taxes with only minimal consultation, thereby stirring up unnecessary concerns among some investors. Corruption is another factor which companies examine closely. Are the officials that deal with licences, concessions, and contracts corrupt? Genuine investors can quickly leave the scene if they feel the playing field is not level and that officials are seeking bribes from rival companies.

Is the country hospitable to investors? The answer to this question is largely based on issues like how easy it is to register a business and register a property. Negativity from officials, delays, and a lack of clarity all give the impression that the country is not really that interested in investment. For a country like Namibia, which is struggling to create jobs for its youthful population, creating fair and reasonable conditions for investment are paramount. With the sustainability of a large civil service and many public enterprises now in doubt, it is becoming clear that in the future the private sector will have to drive job creation.

Namibia's economic fundamentals remain, on the whole, relatively healthy. For example the country remains a low-inflation environment. Namibia's banks and stock exchange continue to have good reputations. Namibia's infrastructure is also a plus point with the road system being rated by the World Economic Forum as among the best in the world.

Namibia should build on its competitive advantages by ensuring it grasps what are essentially low-hanging fruit such as improving basic efficiencies in the services offered to businesses. Having a business environment that encourages investment and therefore job creation should be something in which officials and the general populace take pride.

## **4. Identifying the Obstacles to Progress**

Since 2016 Namibia has descended into an economic recession (which some economists term a depression) which has thrown the country's lack of economic competitiveness into stark relief and refocused attention on how and what needs to be done to get the country back onto a sustainable economic growth path.

However, it is widely recognised that the persisting and deepening harsh economic conditions have diminished what the Namibian government can do to get the country back on track.

“Government revenue growth has slowed over the last three years, but containing consumption has been difficult which has resulted in large persistent budget deficits and a ballooning debt position. Government invested poorly during the good years and did not invest enough in increasing the productive capacity of the economy. As a result, many of the assets built over the 2010 to 2015 period are unproductive in nature, but have resulted in recurrent interest costs. Government spending led to the overheating of the economy and now when stimulus is actually needed there is no room to do so,” said Eric van Zyl, head of research at IJG Securities, for this brief.

According to Van Zyl, this situation is compounded by “an arduous regulatory environment in Namibia that is a barrier to growth and is a further hinderance to economic recovery”.

Furthermore, these regulatory hurdles are exacerbated by “policy uncertainty [that] is effec-



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tively constraining investment, which would otherwise stimulate economic recovery," he said.

Despite these issues, Van Zyl maintains that Namibia still has relatively strong upsides when compared to other African countries, specifically:

- *Stable political environment* – The lack of political opposition means that the Namibian government is unlikely to need to resort to populist tactics in an attempt to maintain power;
- *Strong and sophisticated financial services industry* – Healthy banks and other financial institutions, as well as a credible reserve bank all provide a stable base for economic activity to flourish;
- *Interest rates are accommodative* – Interest rates are at levels which should encourage borrowing by businesses and individuals.

That said, according to some key informants for this study, the main factors that militate against effective state sector interventions to improve Namibia's economic competitiveness are the following:

1. *Lack of political will* – Aside from instances of political rhetoric over the years, there has never really been a consistent pro-investor / pro-business senior political champion continuously pushing the improvement of Namibia's economic competitiveness and attractiveness;
2. *Lack of urgency* – Since 2010 Namibia has hardly made any progress in improving its global competitiveness and has significantly slipped on some notable indicators, primarily because improving the country's economic competitiveness was not a political and governance priority;
3. *Bureaucracy* – The slow machinery of state has also been mentioned as a significant factor as to why the Namibian government has been slow to respond to the country's stagnant and declining competitiveness over the last decade;
4. *Resistance to new governance mindset and culture* – Continued resistance to and push-back against changing the way government works has been mentioned as a significant contributing factor to why the state sector has been slow to implement changes to improve the country's economic competitiveness;
5. *Weak fiscal position and fiscal mismanagement* – As of 2016, the Namibian government's ability to respond to economic challenges or to fund improvements to economic competitiveness has been hamstrung by a deteriorating fiscal environment and position.

Expressing itself on Namibia's overall economic conditions at the end of 2018, the International Monetary Fund (IMF), in a fiscal risk assessment of the country, stated: "With the recession started in the middle of 2016, the fiscal deficit has been widening and public debt rising. This is the first recession hitting Namibia in the last 15 years, which coincides with a low economic growth in the region and a tightened global financial market. The outlook is expected to turn, with baseline projections gradually improving but still with a growth below the long-term trend. However, several fiscal risks remain. The expected low economic growth, the deteriorating of fiscal space in the last three years, and a weak external demand require a different approach to manage public finances. Assessing their effects in the Namibian economy is critical for the formulation of the fiscal policy."

It is understood that part of the "different approach" includes implementing a more welcoming approach to investors, especially foreign investors.

## 4.1. (Not) Doing Business (Well)

Namibia is struggling to attract meaningful foreign investment to its shores, as well as increase local investment. According to the World Bank's Doing Business Index, Namibia is faring especially badly on three of its 10 Doing Business pillars, namely:

- Starting a business
- Registering a property
- Trading across borders





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### Business and Intellectual Property Authority (BIPA)

Overall BIPA is responsible for 33 of the 66 days it takes to start a business in Namibia.

In a March 2019 interview, acting CEO of BIPA, Selma Ambunda, and BIPA Business Registration Services Executive, Kapena Tjombonde, also spoke about reforms at the agency within the context of the Ease of Doing Business project.

They indicated that adequate funds and resources to implement and roll out the reforms of the Ease of Doing Business project have been major stumbling blocks to date.

Despite this, according to the BIPA executives, progress has already been recorded, such as the phasing out of stamp duties on company registrations (accounting for one day) in August 2017 and the cutting of one day off the time it takes to register a business by BIPA's online name reservation service system – they also pointed out that such improvements have not been recognised by the latest (2019) Doing Business Index assessments.

Ambunda and Tjombonde also pointed to emergent amendments to the BIPA Act to enable electronic transactions, including the discontinuation of differently coloured forms for various company registration processes in favour of white-paper forms to enable downloading from the BIPA website or through the NamBizOne portal and online submission of applications, which will be introduced during the test phase – April to June 2019 – concluding phase 2 of the Ease of Doing Business project.

Amendments to the BIPA Act would also enable further improvements to streamline processes with the aim to bring the length of time to start a business down to just seven (7) days by end financial year 2020/21, the BIPA executives said, as well as that the issue of businesses/investors having to hire lawyers, according to the Companies Act of 2004, to register companies was being looked at for legislative review/amendment in 2019.

Ambunda and Tjombonde also pointed out that the Doing Business Index indicators mis-quoted or wrongly referenced sections of the Companies Act of 2004, with the suggestion that index's data/information gathering methodology was flawed and disadvantaged small countries such as Namibia.

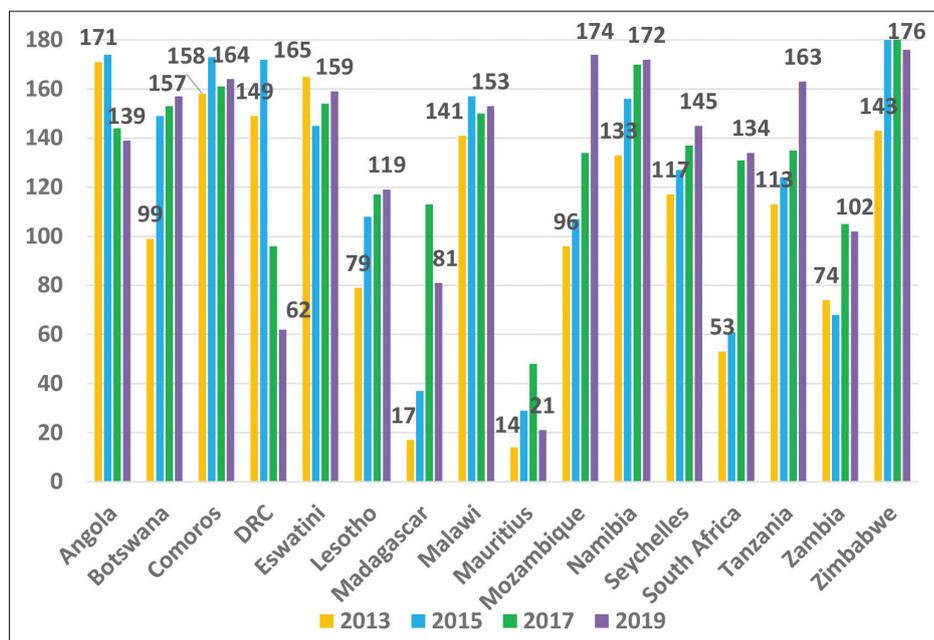
They also indicated that there was a need for public outreach and awareness raising around the improvements regarding starting a business in Namibia, which might influence Namibia's ranking on the Doing Business Index.

### Starting a business – BIPA responsibilities

Indicator	No. of days	Intervention
Reserve a unique company name	18	One day already shaved off. Further reforms to be implemented in 2019.
Pay the registration fees and buy revenue stamps at the Receiver of Revenue (although Receiver of Revenue is listed as responsible, this relates to BIPA processes)	1	Stamp duties discontinued August 2017.
Hire an attorney to register the company with the Business and Intellectual Property Authority and obtain the certificate of incorporation and the certificate of business commencement	14	Up for legislative review / amendment in 2019.



**Chart 4: Starting a business – SADC member states ranking out of 190 countries**



Source: Klaus Schade, Economy Watch November 2018.

### b. Registering a Property

This is the pillar under which Namibia performs the worst on the Doing Business Index, ranking 174th out of 190 countries.

According to Angela Dau-Pretorius, Deputy Director: Investor Services at the Namibia Investment Centre (NIC), in the Ministry of Industrialisation, Trade and SME Development (MITSMED), and Willy Shimbome, Chief Investment Promotion Executive at the NIC, regulatory reform proposals are being looked at by relevant authorities – in this instance the City of Windhoek and the Ministry of Land Reform.

It was indicated that although progress appeared asymmetrical, reforms have been initiated, with Windhoek reforms around property registration moving ahead of those in the Ministry of Land Reform, due to ministerial priorities having been refocused on land reform as agricultural and urban land access and distribution have come to overshadow other land reform matters over recent years, so that reforming the deeds registration process “might not be a top priority,” according to Dau-Pretorius.

While they could not provide detailed specifics of the status of reforms under this pillar, the NIC executives did indicate that reforms within the Registrar of Deeds in the land reform ministry related to upgrading the management of deeds to an electronic system that would be integrated into the integrated customer service facility (ICSF).

### c. Trading Across Borders

According to Angela Dau-Pretorius, Deputy Director: Investor Services at the Namibia Investment Centre (NIC), and Willy Shimbome, Chief Investment Promotion Executive at the NIC, the creation of a ‘national single window’ to enable trade facilitation had reached the consultancy procurement stage, with three (3) bidders undergoing evaluation at the time of writing in March 2019.

The ‘national single window’ is envisaged to be an internet-connected electronic platform that will incorporate an upgraded Automated System for Customs Data (ASYCUDA), an older version of which Namibia is already running at its entry points.

The Namibia Ports Authority (Namport) is the main implementer – along with 18 other stakeholders – and the comprehensive rollout of the new computerised customs management and trade facilitation system is expected to be completed by the end of financial year 2020/21.



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## Intervention Status on other Doing Business pillars

Pillar	Ranking (out of 190 countries)	Intervention Status
Dealing with Construction Permits	83	The issue has been identified as an area for legislative review / amendment.
Getting Electricity	71	Electrification, especially of rural areas and of schools, remains a government priority.
Getting Credit	73	Unknown
Protecting Minority Investors	99	Amendments to Companies Act (2004) to be drafted in 2019.
Paying Taxes	81	Reforms, such as the implementation of the Integrated Tax Administration System (ITAS) and the creation of the Namibia Revenue Authority, are expected to improve tax collection and administration from 2019.
Enforcing Contracts	58	Case management and mediation reforms within the judiciary have started showing results.
Resolving Insolvency	125	Insolvency Act (No. 24) of 1936 has been earmarked for legislative review / amendment.

## 4.2 Other factors clouding perceptions of Namibia's competitiveness

### a. Data and information

The frequency and quality of critical socio-economic data – labour force surveys, national accounts, housing data, etc. – and information remains a significant concern. Similarly the lack of access to information, despite government plans, such as the Harambee Prosperity Plan (HPP), committing the state sector to providing access for the public to government-held information. Official undertakings to pass an access to information law have fallen by the wayside over recent years, with such a law not envisaged for passage in 2019 either.

### b. Policy uncertainty

Eric van Zyl, of IJG Securities, said: "Policy uncertainty has effectively hamstrung the private sector to a large extent. Business and investor confidence is missing from the Namibian economy due to policy uncertainty. A short-term solution involves government correcting the policy environment and providing clarity on empowerment and investment policy firstly.

"This will remove much uncertainty for potential investors and will lead to an increase in investment. Government's role should be to create a conducive environment, including legal and regulatory frameworks, in which citizens can pursue their interests and fulfil their needs within these constraints. Government plays far too large a role in the economy at present and this needs to be slowly reversed. A quick withdrawal (through large scale public servant retrenchments) may do unnecessary damage."

According to Angela Dau-Pretorius and Willy Shimbome, of the NIC, the Namibia Investment Promotion Bill, which is to replace the 2016 Namibia Investment Promotion Act, has undergone "thorough consultations with the private sector" and a revised draft was "finalised at the end of February 2019 and was submitted to the Cabinet Committee on Legislation" to be put on the Cabinet agenda for April 2019. "We want to ensure that it is on the list of bills to be considered by parliament this year," said Dau-Pretorius in March 2019.

However, legislative reforms – which would establish 'special economic zones' (SEZs) – to



replace the Export Processing Zones Act (No. 9) of 1995 have been “put on hold”, said Shim-bome, as the Ministry of Finance has indicated that the incentive (tax) proposals “might dent revenue collection”, which has become increasingly strained since mid-2016.

Dr. Leake Hangala, a prominent businessman who also serves on the board of the Namibia Chamber of Commerce and Industry (NCCI) said in an interview for this brief: “Policy uncertainty is a big problem.” He referenced the New Equitable Economic Empowerment Framework (NEEEF) which has been under discussion for several years without any finalisation. The policy has been formulated into a draft bill and stirred controversy across the business sector. Hangala said he did not object to the purpose of the bill but rather that it had been left as an unresolved issue for so long: “I don’t think people have a problem knowing that if you come to Namibia you might have to have 25 percent local partners. As long as it is not an arranged marriage and you choose your own partners, of course. This is done all over the world. Investors know it. But investors also want things to be clear and not to have unresolved policies just hanging around.”

Hangala welcomed the fact that government has been consulting on the 2016 Namibia Investment Promotion Act, which was widely seen as a deterrent to investment. The law was never implemented despite being passed by parliament and signed by the President in mid 2016 amid concerns it created more bureaucratic hurdles for business while doing little to promote investment.

### **c. Public procurement**

The public procurement system, which was installed at the start of financial year 2017/18, has been lurching along problematically since then, with institutional confusion, infighting and dysfunction marring the new Central Procurement Board of Namibia (CPBN) since inception. The new procurement system, which is already shrouded in suspicions of widespread corruption and the pervasive use of exemptions, has undermined transparency. Said Eric van Zyl, of IJG Securities: “The public procurement function needs to be improved. At present the procurement process is an unnecessary hurdle to investment by the few government owned entities which do have reasonably sound balance sheets.”

### **d. Utilities**

Water and electricity costs remain high, due to high generation and supply costs and the costs of maintaining and upgrading of infrastructure, and also because water and electricity supply have long been the revenue generation mainstay of local authorities. Government’s severely constrained fiscal condition has sharply limited efforts to roll out reliable electricity supply across the far-flung areas of the country, even as Namibia is increasingly embracing alternative and renewable energy sources.

Hangala said that the electricity market should be opened up to competition as this could help to make power less expensive. He added that Namibia should also invest in desalination to ease its water woes.

Sanitation and access to potable water have gained prominence against the backdrop of a hepatitis E epidemic in informal settlements in major urban areas, which has put strain on the state healthcare system.

Furthermore, Windhoek, which is the economic centre and heartland of Namibia, remains water-starved, with already tightly stretched water sources to be further distressed as another drought settled over the country in early 2019.

### **e. Labour Productivity**

Labour productivity is not regularly measured in Namibia, despite there being a Productivity Promotion Unit within the Ministry of Labour, Industrial Relations and Employment Creation. The last labour productivity report was released in 2015. In late 2018 the ministry had a Namibia Productivity Awareness Campaign Week under the theme ‘Productivity is Everybody’s Business, Targeting the Youth and Public Servants’. It is unclear what the exact aims were of the weeklong campaign. The absence of regular assessments of labour productivity is arguably contributing to generally negative perceptions of Namibian labour’s productivity.



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## f. Corruption

While Namibia climbed one place, to 52 (out of 175 countries), on the 2018 Corruption Perceptions Index, of Transparency International, the overall trend indicates a gradual slide down the rankings as perceptions of corruption have deteriorated. According to data gathered for the seventh round of the Afrobarometer survey, most Namibians believe corruption has infiltrated and pervades key state functions, such as law enforcement and tax authorities.

## g. Skills/education/training

Namibia continues to struggle to provide quality basic education and the introduction of free basic education in recent years and government's diminished fiscal position have placed immense strain on an already heavily burdened and underperforming system and sector, despite education being the largest annual recipient of funding from the national budget.

"Poor education systems and institutions are a long-term issue which are and will hamper development and the betterment of lives of Namibians for decades to come," said Eric van Zyl, of IJG Securities.

Hangala said that the problem of obtaining work permits was frustrating many investors. It was proving very difficult to bring in skills, even though it could be shown that such skills were in short supply in Namibia. Investors were even having problems entering the country for short visits to discuss their plans with potential partners while professionals invited for short stays are sometimes told they need work permits.

Embarrassing incidents whereby potential investors have been detained at the international airport have undermined Namibia's international reputation. These issues should not be left to the Ministry of Home Affairs alone but should be addressed as part of a broader pro-investment policy.

## 5. What Can Be Done?

It seems clear that since 2015 the Namibian government has been engaged in a gradual and incremental process of belatedly crafting and installing initiatives to improve the country's economic competitiveness. These emerging legislative and regulatory frameworks and environments look to be aimed at finally endearing the country to foreign investors, as well as local ones, speaking to the Namibian government's oft touted intent to enhance the attractiveness of the 'small open economy'.

Although belated, these efforts since 2015 are highly welcome and it is hoped they will bear fruit in the near future - in the form of improved rankings and most importantly much needed investment.

If government had taken such steps much earlier an improved business environment could have helped mitigate the effects of the recession that has enveloped the country since 2016.

It is important to remember that a narrow focus on World Bank indicators or the pillars of the WEF report will not be enough to attract significant investment. One of the criticisms of such rankings is that they take little or no account of broader issues like the relationship with the private sector.

A focus on improving the World Bank rankings to the exclusion of broader efforts to improve the investment climate would be a mistake. That is why it is useful to examine the WEF competitiveness report alongside the World Bank as it brings in to play other factors such as: macroeconomic stability, the prevalence of corruption, competition policies and the skills of the workforce. As the WEF report has recently undergone a major methodological overhaul it is difficult at this stage to examine medium and long-term trends and hence this brief had focussed more heavily on the World Bank's ten pillars. It can be assumed, however, that by making improvements for example in the number of days it takes to register a business this will have a wider positive impact on Namibia's reputation and should help galvanise further reforms.

### • Namibia's competitive advantages

In this climate, and to help steer perceptions onto more positive ground, perhaps the best medicine is to re-emphasise the country's most attractive attributes.

The country enjoys distinct advantages amongst its African peers, notably:

- an independent judiciary and respect for the rule of law;
- peaceful environment and stable, predictable political set-up;



- reasonably well-functioning public and private institutional environments;
- a reasonably sophisticated and dynamic financial sector;
- functioning, stable and updated telecommunications infrastructure and global connectivity;
- much improved and improving countrywide road network;
- immense tourism potential and attractiveness;
- direct sea and air transport connections to Europe, the Middle East and the southern Africa subcontinent hinterland;
- world-class housing options and potential in the middle and upper income brackets;
- proximity and close ties to South Africa and the largely untapped markets of the Southern Africa Development Community (SADC) and the Southern Africa Customs Union (SACU);
- national currency (Namibia dollar) pegged to the reasonably strong South African rand; and,
- a youthful population.

#### • Practical ways forward on identified obstacles

In order to maintain momentum on addressing identified and discussed obstacles to Namibian economic competitiveness, the following is recommended:

1. That relevant Namibian authorities continue to buttress unfolding reforms by adequately supporting consultants;
2. Ensure that appropriately qualified and skilled personnel are assigned to shadow the consultants in order to enable smooth eventual handover to Namibian officials and robust management of nascent systems and processes beyond the consultancy period;
3. Ensure that inter-agency and inter-ministerial coordination and communication systems and processes remain robust;
4. Adhering to timelines and deadlines, despite prevailing fiscal and economic conditions militating against such;
5. Inculcating and maintaining political resolve on reforms in order to see them through in the face of mounting competing pressures and priorities;
6. Continuously and consistently championing – nationally, regionally and internationally – reforms and engaging with the aim of awareness raising with targeted investor groups to spread the message of a welcoming Namibia and to dispel negative perceptions of the country;
7. Adopting attitudes and practices of proactivity around access to information in order to enhance transparency and accountability towards stimulating and spreading a sense of ownership amongst ordinary Namibians, government officials and civil society organisations of the country's investment destination status.

#### • Enhancing the overall business environment

While indications are that regulatory interventions and initiatives geared to improving critical institutional aspects of the ease of doing business environment are in varying stages of implementation, areas of significant concern within the state sector nevertheless remain, specifically:

1. Policy uncertainty – On various strategic national issues (from housing to mineral resources) the Namibian government has been slow in coming up with proposed new policies and regulations. For instance, the official foot-dragging on the perennially unforthcoming Minerals (Prospecting and Mining) Amendment Bill and the already controversial New Equitable Economic Empowerment Framework (NEEEF) have dented Namibia's image as an attractive investment destination over the decade since 2009, and even before, as both these proposed laws, as well as others, have been floating about in one form or another for about a decade;
2. Institutional dysfunction – Governance malaise has long been the scourge and chief trait of the Namibian public sector. The public service is characterised by rampant political interference and deficient professionalism; financial mismanagement and misprioritisation; under- and non-implementation; poor planning; lack of capacity and administrative rigour; absence of a service delivery culture; and corruption.

Against this backdrop, Namibian authorities are thus encouraged to view current economic conditions as an opportunity to decisively deal with some of these issues, as improving institutional and policy environments are already part of expressed widespread reform proposals in order to infuse and improve efficiency, accountability and transparency in the public sector.



# IMPROVING THE BUSINESS ENVIRONMENT IN NAMIBIA



British  
High Commission

The compilation and publication of this report was supported by the British Foreign and Commonwealth Office, Windhoek Namibia.

Design and layout: Charlton de Waal  
Printed by John Meinert Printing, Windhoek

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## ABOUT THE IPPR

The Institute for Public Policy Research (IPPR) was established in 2001 as a not-for-profit organisation with a mission to deliver, independent, analytical, critical yet constructive research on social, political and economic issues that affect development Namibia.

The IPPR was established in the belief that development is best promoted through free and critical debate informed by quality research.

The IPPR is independent of government, political parties, business, trade unions and other interest groups and is governed by a board of directors: Monica Koep (Chairperson), Justin Ellis, Ndiitah Nghipondoka-Robiati, Daniel Motinga, and Graham Hopwood.

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