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MORNING GAMES @ GAME
BY SERVAAS VAN DEN BOSCH

Each morning, just before the doors open at discount retailer Game in Windhoek West, the staff huddles at the entrance for its ‘morning prayer’. Like cheerleaders they sing and dance and clap and chant in Oshiwambo... W-I-N-D-H-O-E-K: WHERE THE CUSTOMER ALWAYS COMES FIRST! The astonished waiting customers are then beckoned into the shop, passing between two rows of applauding and smiling employees.

This unfettered greed from the top fuels unfulfilled hopes in the rest of the population that as a result has gone out and mortgaged 85 percent of their disposable income to banks, car dealers and furniture shops. Perhaps this in itself explains the good humour of the Game staff and management every morning.

We want it all and we want it now, and when water, electricity and food bills go unpaid we knock on the employer’s door to demand more. In fact the employer is now vilified for ‘not playing ball’ in maintaining a lifestyle the State (and let’s be fair, decades of parasylising foreign aid) has addicted its citizens to.

Of course this is a generalisation, but the fact remains that the cost of labour, combined with low skills levels and a bad work ethic makes our region uncompetitive. As a developing country, wages of US$10–US$20 or more a day for unskilled menial work, where others can do it for US$2, kills economic growth. But most employers probably still wouldn’t mind paying higher wages, if there was a simultaneous increase in productivity. However, that seems an utopia.

The notion on the other hand that somehow we can leapfrog this low-income industrialisation process and establish a highly paid services sector is not supported by any economic reality, despite the insistence of tertiary institutions to continuously churn out (poorly prepared) professionals in these fields.

The culture of greed and unrealistic expectations is killing African economies and indebting its consumers, before the continent ever has a real chance to get out of the starting blocks and live up to its promise of being the world’s last global economic frontier. And this shows in the figures; South Africa has very subdued growth rates compared to China, India or Brazil.

At a symposium in Harare in early February the Head of the University of Zimbabwe Business School, Professor Tony Hawkins and World Bank Country Economist Nadia Piffaretti painted a picture of a region whose sustenance is increasingly (not less!) dependent on the exports of raw materials. Southern Africa, the economists stated, is sliding backwards into the role of a primary producer.

This is shocking. While poor countries, such as Malaysia, Chile and Indonesia found their own way up with very little help from outside, the process of real development in our region has been stagnant and is characterised by short-term rent seeking, milking the donors and presenting the bill to employers. It is, therefore, good to hear President Pohamba say recently that service delivery will be the central theme of his two remaining years in office.

Ed
ECONOMY NEWS FLASH

BoN KEEPS REPRO RATE
~ GROWTH & RATES

The Bank of Namibia on 20 February for the third consecutive time kept the repo rate, the rate at which other banks borrow from the central bank, unchanged at 5.5 percent. Explaining the decision of the Monetary Policy Commission, Deputy–Governor Ebson Uanguta said that despite the fragile state of the global economy, Namibian economic growth had been strong with 4.6 percent GDP growth recorded in 2012 and 4.4 percent growth estimated for 2013. Inflation, at 6.6 percent in January is also within “tolerable levels”, said Uanguta. Yet, growth of the mining sector, a major economic driver and still noting 17.2 percent growth in 2012, will slow down to an expected 3.8 percent. Along with a deteriorating exchange rate and trade balance, this necessitates a low interest rate environment “to ensure that growth is maintained in the local economy going forward”.

JANUARY DISEASE HITS VEHICLE MARKET
◇ SALES

Buoyant private vehicles sales, leading the Bank of Namibia to warn against ‘unproductive spending’ last year, came down in January, continuing a slowdown set in motion in December. A total of 417 private vehicles were sold, compared to 419 in December. Year–on–year the decrease was 14.9 percent. Commercial vehicles sales were down year–on–year by 4.9 percent.

Analysts expect a rebound in the figures that have been declining since September last year, after an initial rush. “The first quarter is usually a good one for new vehicle sales, with seasonal factors boosting the figures. The January figures tentatively indicated a rebound from the downward trend over the last 5 months, with the annual slowdows decelerating”, said stock broker Simonis Storm Securities.

SLIGHTLY MORE BUILDING
 construcción

Approved building plans in Windhoek saw an increase of 5.3 percent year–on–year in January with 239 plans approved, which is in line with the monthly average of 243, announced stock broker Simonis Storm Securities (SSS). The value of plans approved increased by 51.7 percent month–on–month and by 32.5 percent year–on–year to a total of N$170.4 million. According to SSS, both the increases in numbers and value approved were driven by residential plans, as well as one addition in the Windhoek area of N$61.8 million. A staggering number of 98 buildings was completed in Windhoek in January, compared to 34 in the same month last year and more than any January since 2008. The value of N$25.1 million was however lower than the N$70.1 million for completed buildings in December. The figures, however, support the Bank of Namibia’s forecast that construction will be a major driver in economic growth this year.

TOURISM OUTLOOK MIXED

STATS & INDEX

Despite a 4.5 percent year–on–year increase in the tourism market in the last quarter of 2012, the first three months of this year are likely to be bleak for the sector. For the rest of 2013 the outlook for the sector is mixed. These are the main conclusions of the latest Tourism Index that was released by FNB and tourism association Fenata. The first quarter is traditionally the low season and the few tourists that do come during this time of the year on average spend 19 percent less. Moreover, uncertainty surrounding Air Namibia leads operators to believe the number international arrivals in the first quarter will be lower than last year. High inflation in the tourism sector also discourages overseas tourists, despite the better exchange rate. While FNB expects the World Tourism Adventure Summit will bring recovery to the sector in the second half of the year, the woes of Air Namibia and low passenger load are equally a risk to tourism growth going forward.

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**ARRIVALS**

**SBN hires social media manager**

Janet Ndaitwa joined Standard Bank as Social Media Marketing Manager within the Marketing Department. She will be responsible for incorporating relevant social media strategies into the Bank’s products and services. Ndaitwa previously worked at DV8 Saatchi and Saatchi and holds a B–Tech in Graphic Design form the Cape Peninsula University of Technology (CPUT).

**New Chair for NDTC**

MTC's Company Secretary Festus Katuna Mbandeka joins the Namibia Diamond Trading Company (NDTC) team as Chairperson of the Board of Directors. Mbandeka, a lawyer of 18 years, has served as a board member before and replaced former Chairperson Erica Shafudah. Mbandeka was a director in various Namibian entities in the business, education, health and social development sectors.

**Namibia Wildlife Resorts tries again**

Plagued parastatal Namibia Wildlife Resorts (NWR) in January appointed a new board of directors under the leadership of Chairperson Leah Namholo, who is the Head of HR at Bank of Namibia. Namholo is deputised by Ivans Simataa, general manager public and corporate support at Sanlam Namibia. The other Board Members include Akwennye, Margreth Nashandi, Esther Lusepani, Elly Hamunyela, Simeon Negimbo and Kenny Nguvuva are all public officials from the Ministries of Environment and Tourism, Finance, Lands and NWR itself. The Board faces the cumbersome task of restoring Governance at the parastatal and stop the financial hemorrhaging after former MD Tobie Aupindi’s “turnaround strategy” failed to turn the tide at NWR. The appointment of a successor for Aupindi has been mired in controversy and political wrangling since 2010.

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**Palace coup at Transnamib?**

TransNamib has recently appointed Deputy Chair Sara Naanda in the CEO position after the controversial dismissal of Titus Haimbili last year. The appointment raised eyebrows, with some quarters dubbing the move as a hostile takeover, as board members are not normally confirmed in executive positions. Naanda chaired the Audit Committee of the parastatal that has been a financial mess for years. Before Naanda, who holds a Masters degree in Development Finance, worked as manager Strategic Finance at Nampower and at the CoW’s Treasury Department.

**New chief for FNB Windhoek**

First National Bank Namibia announced recently the appointment of Mare Steenkamp as New Area Manager for the central cluster, which includes all branches in the Windhoek area. Mare Steenkamp climbed the ladder in the bank since joining in 2000, with her most recent position being Branch Manager of the Prosperita Branch. “With only 5 months to financial year end, we will concentrate on reaching our targets to ensure that we contribute towards the strategy of double profits by 2014,” said Steenkamp.

**James Cummings new research head**

Simonis Storm Securities (SSS) appointed a new Head of Research late last year. James Cummings is a Chartered Financial Analyst (CFA) and a Chartered Accountant with over 12 years industry experience. James has worked at leading Hedge Fund Clareville Capital in the United Kingdom for over 7 years and before that he worked at Deloitte. He joined the SSS team in November 2012.
DEPARTURES

Dr Abraham Iyambo

The nation was shocked by the passing of young, vibrant Minister of Education Abraham Iyambo earlier this month. He died on his 52nd birthday while away on a business trip in London. Iyambo was born at Onimwandi, Oshana Region, Namibia. Iyambo became a member of the National Assembly in 1995. He studied Food Chemistry (1982–1985) in Havana, Cuba. In 1985, he left for the United Kingdom, where he took an access course in food studies at South London College. He studied towards his BSc in Food Science from University of Surrey, and in 1990. In 1991 he continued studies at Surrey towards a Ph.D which he received in 1994. He was appointed the Minister of Fisheries and Marine Resources in 1997 by President Sam Nujoma, a position he held for 12 years until March 2010 when he was appointed the Minister of Education by President Hifikepunye Pohamba. Soon after, his health problems forced him to take prolonged leave of absence. Pohamba has appointed deputy David Namwandi as Iyambo’s successor on Education, a department that despite Iyambo’s no-nonsense approach continues to fail in providing young Namibians with an acceptable standard of education, severely hampering the competitiveness and development potential of the country.

Rukoro resigns from FNB

In a surprise move, FNB Holdings Group Chief Executive Officer Advocate Vekuii Rukoro resigned his post in February. While FNB maintained Rukoro was seeking early retirement, the country’s largest beef processor, Meatco, a day later announced the seasoned captain of industry would take over the reins at the beleaguered parastatal. The FNB Board credited Rukoro with successfully localising banking systems, restructuring the short-term insurance business and developing inroads into tourism, private banking and agriculture. Rukoro oversaw the sale of Momentum Life as well as the launch of Rand Merchant Bank Namibia that focuses on corporate deal brokering and investment banking. Under his tenure, the group’s total assets grew from N$9.6 billion to N$19.6 billion while profit before tax more than doubled from N$359 million to N$821 million and headline earnings grew from N$254 million to N$526 million.

At Meatco, Rukoro faces a challenging task of aligning the interests of farmers with those of a State that is determined to get a piece of the cake. Bad blood was created last year between the farmers and the Government after what some consider interference in the thriving company by the State. So far the Ministry of Agriculture that had pushed for the appointment of an Acting CEO, was caught unaware (and reportedly unpleasantly surprised) by Meatco’s pre-emptive strike.

Mororua signs out at NaCC

The Namibia Competition Committee bid farewell to its Chair, Lucius Murorua, who served the organisation since early 2010.

During that time, the legal practitioner was responsible for building up the regulator, which was severely put to the test around the Wallmart/Massmart merger. In this case the NaCC put stringent local ownership conditions on the acquisition, resulting in a battle that was fought in the Supreme Court culminating in an eventual victory for the Commission. Murorua mid-2012 narrowly escaped disbarment, when a full bench of the High Court ruled his name could remain on the legal practitioners roll after an incident in 2004 in which he allegedly misled the court. Soon after that ruling he resigned as a non-executive director of Old Mutual.
First National Bank Namibia presented good half year figures in mid-February.

For the 6 months ended on 31 December the group reported a profit of 14 percent for ongoing operations (to N$310 million). Advances were up 18 percent to 16 billion and non-revenue income climbed by 19 percent while operating cost remained in check at 9 percent growth. Headline earnings per share grew by 12 percent to 121.3 cents. An interim dividend was declared of 46 cents per ordinary share. Growth was concentrated in overdrafts (up by 31 percent), car loans (15 percent), term loans (15 percent) and home loans (14 percent). Deposits grew by a 5 percent to 17 billion. Insurance unit OUTsurance did well with 25 percent increase in profit. According to FNB, the credit spurt of the second half of 2012, with demand for credit rising by 16 percents, signals restored private sector confidence.

Stock Broker Simonis Storm Securities (SSS) said the ‘better than expected results’ will likely lead to an earnings forecast update. Profit after tax increased by 13.9 percent to N$320 million, well ahead of our forecasts when annualised,” SSS analysed. Net interest income, up by 11.2 percent to N$495 million, was also well ahead of the broker’s forecast. Yet, because of the total return of 9.1 percent SSS changed its recommendation from Buy to Hold.

IJG Securities said the double digit growth in interest income reflected very positively on FNB given the low interest rate environment. The growth in advances of 1.6 billion leading to a market share of almost 37 percent, IJG dubbed ‘impressive’. Pending discussion with management IJG left its Buy recommendation intact based on an ‘attractive’ price per earnings ratio of 7.6 and a dividend yield of 5.7 percent.

Trustco says roll-out of micro-insurance in South Africa under the Yambu brand opens windows of opportunity elsewhere on the continent. However, the disastrous Ecolife venture, where Trustco offered life-cover with mobile operators Econet in Zimbabwe, is still fresh in the minds of investors. The property segment that still noted a 26 percent slump in the first six months, was up by 24.5 percent compared to the first three quarters in the previous year.
ABS A BAN KROLLS MAERUA EXPANSION

SX–listed property group Oryx has closed a N$430 million financing deal with Absa Bank. The funds are destined to finance the expansion of the Maerua Mall complex and to refinance existing debt.

The Maerua Mall expansion will add 3050 square metres of office space and 8300 square metres of shop space. In addition, Oryx will add 925 parking spaces and decongest the traffic flow around the mall.

With that, the group responds to O&L’s Wernhill and Town Square upgrades. O&L Executive Chairman Sven Thieme last week confirmed phase 4 of the Wernhill Park extension will be commencing soon.

The Safland Kleine Kuppe project, billed to be the largest mall on the continent outside South Africa at N$1 billion, remains plagued by delays and the opening date of the Grove Mall, scheduled for October 2013, seems unrealistic. Shares in Oryx are up 4.23 percent year to date at the time of writing.

RAPID CHANGE
Maerua Mall with building going on in the background. Oryx Properties, which owns the mall, secured a N$420 million loan from Absa.

BANK WINDHOEK TO LIST ON NSX

At the start of the year Bank Windhoek, the largest locally owned bank, announced its intention to list on the NSX. Bank Windhoek Holdings Chairman Koos Brandt announced on 17 January the group had filed an application for listing with the NSX. IJG Securities and PSG Konsult will act as the sponsors and advisors to the Initial Public Offering.

Bank Windhoek Holdings Limited will become only the second banking group to list on the NSX and the 13th primary listing. In a statement Koos Brandt emphasised that: “the listing of a company is a regulated process and therefore the exact timing of the listing will only become clear as the process unfolds. Speculation about the potential listing date is therefore discouraged and holders of BWH shares are requested to exercise caution in dealing with their shares.”

AGRA STARTS TRADING ON NSX

The first batches of Agra shares since the cooperation changed into a private company changed hand in mid–February through the NSX’s over the counter (OTC) market, reported the Namibia Economist.

A total of 261,821 shares changed hands at a price of between N$1.60 to N$1.70, with a bid of an unspecified number of shares outstanding at N$1.38. Despite speculation to the contrary Private Equity Fund Stimulus categorically denied having bought the shares, shrouding the deal in mystery.

Stockbroker Pointbreak, which advised on the Agra conversion and facilitated this private trade, also owns Stimulus. As part of the conversion, Agra issued 102 million shares to the member of the former cooperative. Restrictions on shareholders’ voting rights are capped at 5 percent preventing it from listing on the NSX.
Namibia suited to venture capital, rather than private equity

**INVESTMENT**

A study on private equity and venture capital possibilities in Namibia has found that investors might have to look at investing money in more and smaller companies, instead of concentrating on a few bigger ones. The study, commissioned by Bank Windhoek and German Development Agency GIZ and executed by economist Robin Sherbourne for Business Financial Solutions, is scheduled for release at the end of February.

Sherbourne, who did an inventory of private equity funds, associated legislation and conducted a survey among medium-sized enterprises, found that private equity opportunities in Namibia are less abundant than in larger and faster growing economies. Large companies in Namibia are often cash-flush and not that much geared towards expansion, while the many small unregistered companies simply do not qualify for investment because of their size. Medium sized companies, by Sherbourne defined as having a turnover of between N$20 and N$300 million could offer potential, but their number is unknown.

BEE legislation, the economist says, is unlikely to be an incentive for private equity as the policies in Namibia remain elusive and the sector relies too much on money from institutional investors, with private players being risk-averse. While there are cases where a Private Equity transaction can be useful for succession planning (as was the case with the takeover of DMH by Stimulus), the bigger, more attractive deals are hard to come by.

At a minimum investment threshold of N$5 million, the study suggests some diamonds in the rough can be found, but investors would have to hunt hard. “The potential client base is possibly between 500 and 1,000 medium-sized businesses of which typically less than 5 percent are likely to be suitable for private equity funding so possibly 25-50 companies,” the study states. However, Sherbourne stresses, that investors would have to look at lowering the hurdle rate, or minimum return, and the overall deal size.

“The challenge of making an attractive risk-adjusted return in such a market should not be underestimated,” he adds, pointing out the low number of exits made so far in Namibia, “the harsh reality is that Stimulus has only exited three deals since 2004 while Desert Stone Fund and Venture Partners Botswana have yet to clinch their first deals two years after signing up with the GIPF.”

Given the stiff competition for the few larger deals that potentially exist in the market, Sherbourne advises investors to look at start-ups and young companies and make more and smaller investments.

“Given the importance of own savings in financing start-ups, the potential for higher risk venture capital, which may require relatively small amounts of capital, appears significant.”

He adds: “The challenge for any private equity manager will be to profitably invest and manage relatively small amounts of capital over a larger number of businesses. But given the reluctance of others to enter this more challenging market, if the challenge can be overcome, the eventual rewards are likely to be high.

Skills development is just as important as access to finance to grow businesses. This point was made by SMEs Compete co-director Claudine Mouton at the launch of the Wise Economy programme in February.

This one-year programme was conceived by Chamber Trade Sweden (CTS), the Namibia Employers’ Federation (NEF), Women’s Action for Development (WAD) and LANN Development Consultants Sweden and is aimed at women entrepreneurship and private sector development. According to Mouton almost 65 percent of all 533 entrepreneurs attending SMEs Compete business courses in 2012 was female. “Lack of business skills and access to affordable work space rank equally important [as access to finance],” said Mouton. “So does the inability to sell goods and services outside the domestic market – doing business in export markets.”

Mouton added that training is more than business skills intervention. “Other facets of business growth support such as routine mentorship, facilitation to access markets by way of the expositions and observational tours organised around Namibia, are equally important,” argued Mouton. Business Development firm SMEs Compete that will celebrate its seventh birthday on March 1, estimates there are about 26,000 SMEs in Namibia. “Although most of them currently operate in the informal sector their collective contribution towards the country’s economy exceeds 22 percent. It is factual that eight out of every ten new jobs in Namibia are created by the SME sector,” noted Mouton.

The structure of Namibia’s economy, heavily influenced by an apartheid legacy of providing labour, now translates in a strong dependency on employment, rather than starting a business. “Entrepreneurship has largely remained alien to many Namibians. However it is encouraging to observe that as a result of the efforts of government and other stakeholders many new entrants, particularly historically disadvantaged Namibians have entered the business arena,” said Mouton.

According to her, Wise Namibia is attractive because of its the export market access component, that along with skills development is one of the biggest hurdles entrepreneurs face.

“Namibia’s domestic market is small measured by any standard. So we see the future for enterprises, in terms of business growth and job creation, to lie in the ability to penetrate export markets. Starting in the region and then moving wider by selling goods and services all over this continent and elsewhere in the world economy.”
SMEs GET ENVIRONMENT GRANTS

GRANTS & FUNDING

The Environmental Investment Fund that recently celebrated its first birthday has supported several Namibian entrepreneurs with grants ranging from N$10,000 and N$350,000.

The EIF became operational in 2011 and is funded through international donor commitments and local conservation fees and environmental levies. According to the Minister of Environment and Tourism Uahekua Herunga, since the launch of the Fund, over 255 project proposals have been received to the tune of N$ 89 million, while the fund approved 18 projects worth N$ 7.4 million. He added that an estimated 3200 community members and individuals have benefited from the grants with at least 138 people employed on the supported projects.

Entrepreneur Messag Kamati of Windhoek–based MK Research and Development received N$325,000 for his project that turns sewage into bio–gas which is in turn used to generate electricity. “I will use the money to purchase new equipment, which includes bio digesters and generators. This will allow us to produce more renewable energy and generate electricity,” he said. “The grant makes it possible for us to expand our business and create employment.”

He called the grant a ‘fantastic opportunity for businesses’. “Funding is usually a limitation to the ideas of potential entrepreneurs and these grants allow us to start up and keep going,” he said.

Organic farmer Leeverty Muyoba, owner of Lushika Organic Vegetable and Chilli Production in the Caprivi Region said his N$125,000 grant will help him kick–start production for his project which will include a hectare of cabbage, tomatoes, potatoes, onion and carrots each, farmed in an organic way. “The grant of N$ 125 000 comes at a time when I can really put my idea into practice and purchase fertiliser, a drip irrigation system and water tanks to ensure that the project will run successfully,” he said.

He explained that new and upcoming businesses usually find themselves unable to start due to a lack of access to start–up capital. “I could have gone to a commercial bank for a loan, but then I would need collateral. The EIF grant really does help small start–up businesses that have a vision to grow. Whatever it is I make from my produce, I use that to expand the business.”
IN THE Spotlight

DOCUMENT WAREHOUSE
Always on the same page as the client

With over 230 million documents in storage, some 25 million documents scanned and digitalising another whopping 1 million documents a month, the Document Warehouse continues to bringing the best of archiving solutions to its clients.

After having spent 25 years in the engineering industry, Document Warehouse Chief Executive Officer and owner Wouter van Zijl started the company in 2006 with a staff of two people and 50 boxes of documents. Seven years later, the company boasts a staff complement of over 50 and is the proud custodian of 100,000 boxes of documents, pristinely stacked and organised in its state of the art warehouse in Hans Dietrich Genscher Street in Khomasdal.

Approaching the Document Warehouse, one can’t miss the towering building that holds nine stories of documents for companies varying from the largest corporations to the smallest SME. Recently the company also opened offices in Walvis Bay and Ongwediva.

The company offers services such as data storage and rotation, bulk scanning and a secure destruction of documents.

“I started the business because I saw the need for archiving solutions. It’s a relatively new concept and one challenge is to reassure clients that their documents will be handled with care and efficiency,” said van Zijl. “Paper is quickly becoming old and soon digital documents will take over. This makes it all the more important that old files are speedily electronically accessible, while those documents that cannot be thrown away such as births certificates are stored in a proper manner.”

“It is in fact an IT driven process. We have about 55 computers in the company and a number of servers. Each and every document has a unique barcode that makes it easy to scan, store, locate and retrieve them, up to the last single page. A client can just log in off site and request a document that is then delivered to his doorstep.

For this, the company uses the EDRMS, the Electronic Document and Records Management System, which is unique in Namibia. “We help people transform from the old fashioned paper-based system to new electronic systems, which are much more efficient, but firms require training on EDRMS principles.”

For this Van Zijl looks for IT-savvy employees with experience in records management a rare combination in Namibia. “As a result we employ a lot of young people because of their computer literacy. We have an in–house training system and we try hard to develop our people and make them aware of the new technology,” said van Zijl, who strongly believes in the innovative power of young people, mostly students. “The role that young people can play when it comes to initiating good ideas and making them work is immense and young people should take initiatives in IT.”

For him entrepreneurship is something you can develop along the way. “I think all people are to some extent entrepreneurs. Some people are born aggressive entrepreneurs and tackle new businesses because it is almost an instinct. Other people are more scared; they think too much about what can go wrong and prefer to operate in a more secure employment situation. Some of them only start a new business if they are forced out of their comfort zone, for example if they are fired and must do something.” He adds that training and understanding of doing business can help potential entrepreneurs overcome their fear of starting up own businesses.

“Young people are better entrepreneurs – they have energy, they think on their feet and they have less to lose,” is his experience. “Older people might have more experience but they are more scared to lose what they have earned.

“A good formula for a successful business includes a combination of having the right products or services at the right time, hard work, a good team of focused, skilled and dedicated staff and, most importantly, a clear vision of the business.”
The newly opened Querida’s Ongwediva Engen service station might seem like any other ordinary service station, if it wasn’t for its owner: business woman Denise Billy.

Unique in the male-dominated petroleum business, Billy in December opened a filling station on the busy road between Ondangwa and Oshakati. The mother of two boys explains that running a business and being a parent, while also being employed and doing a part-time course in mathematics at Poly, can be a handful.

“It’s not easy, but it is possible; I believe that with all my heart. I have made a commitment to be in the moment, each moment. That means during working hours, my job has my full attention, everything else comes second. When I’m in class, I pay full attention to the lecture and when home, I try to rest as much as possible. I travel to the North every weekend, and then I’m completely committed to the business. I attend to all issues relating to stock, staff and creditors.” According to Billy, the idea for the business came after constantly commuting the between Ondangwa and Oshakati where an unserviced strip of land was available for development. “I would have never seen myself in business, because I always concentrated on my career, but when nobody developed the land between the two towns, I saw an opportunity.”

After obtaining the land, Billy explains that the next step was ensuring that the idea was feasible and finding an oil company to back her. With five major players in the petroleum industry choosing who to go with was a task. “If you have an idea but are not sure that it will be sustainable, don’t go into business. At the end of the day you do not want to be stuck funding the business when it should actually be self sustainable and not be a headache for you.” She therefore found strong partners to help her.

“I initially obtained funding from the Development Bank of Namibia, but had cost overruns due to price escalations. Engen, as the franchisor, took over the infrastructure and invested funds to complete the construction. DBN funded me again for stock,” she says. Apart from the feasibility aspect of the business, Billy said she also looked at the accessibility and visibility of the business.

“The timing also played a major factor, because the building materials that are needed are imported and costs escalate from time to time, so you have to know when to get your stuff and when to wait to get them,” she says.

Querida’s Ongwediva Service Station has a staff of 25 employees and a manager, who is instrumental in keeping the business going while she is in Windhoek. She says she has been able to keep the business running 24 hours a day through the three eight hour shifts that are in place.

Acquiring employees, she explains, was not hard because when people saw she was building they would come in and drop their CV. “By the time we neared completion we had 200 CVs on file and we focused on those with experience and families.”

She stresses that her arrival into the field was tough and still continues to be since the petroleum industry is male dominated and women entrepreneurs are scarce.

“It really is tough because this is a man’s playground and women are not taken seriously. I personally had challenges with things like construction. People tried to take chances and that’s how I learnt.” She encourages women to be bold and focus not just on getting the finance. “If a project is feasible, the credit is there. People should realise that it’s not all about getting money, but ensuring that the business runs smoothly,” says Billy.

Her number one rule is ‘to always view your business from the customer’s perspective’. “That’s why it is important that you offer something that sets you apart from your competitors.”
Starting up a business can be fun and exciting, but often fledgling entrepreneurs fail or find themselves in debt due to a host of costs that were not foreseen in the initial business plan. SME Gazette’s Vimbai Karumazondo queried experts and entrepreneurs on the spectre of hidden business costs.

The extent to which hidden business costs affect your firm all depends on what kind of business sector you are in, says First Capital Treasury Solutions Chief Executive Officer Martin Mwinga.

“For instance, investments in the service sector seem reasonable at first, but along the way you might find a client who says: ‘we can appoint you to provide a service, but do you have all the systems in place?’ And then you suddenly have to invest in computer systems and qualified people, which could be a hidden cost that can easily be overlooked when starting up a business.”

Mwinga adds that some startups underestimate the requirements and costs involved with growth, which could easily land them in trouble, for instance when applying for credit. “There are times when you go to the Development Bank of Namibia (DBN) and they tell you that they will give you a grace period for nine or ten months on paying back the loan. The entrepreneur only looks at his cash flow and thinks this is a good idea, but what many people do not realise is that the bank will be adding interest and by the time you start servicing the loan you will pay a hefty sum for the accrued interest.”

Ballooning wage bills are another hidden business cost that can affect cash flow seriously. “Chances are that young businesses try to expand quickly and feel there is a need for more employees, but the wage bill can easily weigh down the employer as he or she will take on staff that they don’t utilise,” says Mwinga.

“Rates and taxes are another cost to keep in mind. Sometimes you rent a space and before signing the rental contract you overlook certain things and find for instance that water, electricity bills and municipal charges have to be paid above and beyond the rental sum. So it’s very important that such hidden costs are cleared up with the landlord beforehand.”

**HIDDEN VERSUS NORMAL COSTS**

Mwinga however, stresses that Namibia’s small market makes it difficult for entrepreneurs to flourish. They remain small for a long time and vulnerable to cash flow issues. “Then when entrepreneurs go to banks to borrow in order to sustain cash flow, they will turn them down, because there is no collateral. This is how many small businesses collapse.”

SMEs Compete Co–Director Danny Meyer agrees, saying Namibia is considered a very expensive country to do business in compared to other countries in Southern Africa, because communication costs and the cost of compliance with statutory requirements are high.

“Hidden costs can be twofold. They can result from inexperience where one doesn’t ask questions and underestimates the costs, or it can be truly ‘hidden costs’ that are buried in the fine print which people don’t read,” he says.

Meyer adds that often when an employer brings staff into their establishment they come up short, because they have not taken into account the basics. Such as leave days, sick leave, uniforms, or social security. “Entrepreneurs end up shocked that they will have to pay more than they budgeted for and end up with a cash flow problem. This is due to inexperience, they are so starry eyed to start the business that they don’t realise what all the costs are and they end up running into trouble after the first few months,” he says.
Meyer explains that there is a difference between hidden costs resulting from not reading a contract versus situations where an entrepreneur is deliberately cheated.

“An example of a hidden cost would be an entrepreneur heading to a furniture shop, and the fine print says that in addition to the price of a piece of furniture you have to pay for insurance and delivery. Not reading and asking questions can lead to a shock for the entrepreneur when confronted with a bill that is higher than budgeted for,” he notes.

Staff is also costly, Meyer points out. “There is a lack of skills and now the entrepreneur finds himself forking out money for staff training. Then when the staff is properly trained, they get poached by other companies willing to pay them double the salary, and the investment quite literally walks out of the door.”

However, entrepreneurs shouldn’t confuse ‘hidden costs’ with the normal ‘cost of doing business’. According to Meyer in Namibia the latter is more of a problem. He stresses Namibia needs to find ways to help entrepreneurs and bring down the cost of doing business in the country, as it is an obstacle for the average man and woman to start up a business.

**ENTREPRENEURS: PLAN AHEAD**

“There are always many hidden costs when starting a business, but they are normal. The best way to make sure or best way to avoid hidden costs is to do the research and better yet, follow your gut feeling,” opines Kristal Kellerei Winery owner Michael Weder.

He explains that when starting his winery in Omaruru, he was faced with a production problem. The grapes were found not to be 100 percent healthy, something, he adds, that set him back in terms of costs.

“Entrepreneurs starting up need to do their homework on the industry they want to enter. However, entrepreneurs that are forever analysing everything could get so caught up that they forget to take risks, which is essential to doing business,” he says.

According to Omni Trading Director Tangeni Kaupukwa, starting a business is never easy. Hidden costs often depend on the kind of industry that one is operating in.

“When I started out with my construction company I soon realised that the little things actually become a cost. Things like transport and fuel, food, airtime and the likes,” he says. He adds that the registration of his company also was an endless process of filling out paperwork and having to drive back and forth until everything was done.

Rachel’s Creations owner Rachel Kaiyamo–Hango says when starting her clothing business, she encountered problems obtaining start–up capital from the banks as she did not have the collateral required. “It was not easy at all. Eventually I poured in all my savings to start the business and attract my first customers.”

According to Karakulia Weavers Director Moses Helao, who was chosen by the Development Bank of Namibia as SME Entrepreneur of 2012, renting costs proved to be an issue for his Swakopmund–based company.

He explains that initially having applied for a loan at the Development Bank of Namibia, he had found office space for his business which would cost him N$19.95 per square meter, but upon approval of the loan by the bank, the rent had been doubled.

“I had not planned for that at all, when I decided to revive the company that was bankrupted by its previous owners. Whereas the whole building initially went for N$15,000 a month, I now was expected to pay N$16,000 for half of the premises. This was not something I had planned for,” he says.

“The beginning of this year again I was informed that the rent was going to now be N$22 000 a month and I thought to myself, then it is better to just shut down because there is no way that I as an upcoming entrepreneur can afford that much a month. We already had to cut down on the number of staff just to cut costs. I managed to speak to the landlords and we came to a compromise that the rent will only go up next year,” he says.
The Financial Literacy Initiative (FLI), a campaign to educate Namibians on spending, saving and investing, celebrates its first anniversary on 15 March.

The initiative kicked off with the Be–wise Campaign, consisting of Budget–wise, Save–wise and Spend–wise on 15 March 2012 with an official launch in Windhoek, hosted by Minister of Finance Saara Kuugongelwa–Amadhila.

In its first year the FLI platform grew to include more than forty partner organisations hailing from the Namibian public, private and civil society sector. The programme was officially launched in ten regions, with the remaining three regions (Omaheke, Kunene and Otjozondjupa) to follow in 2013.

Over 45,000 booklets and more than 3,500 posters in six languages (English, Afrikaans, OtjiHerero, Oshiwambo, Silozi and Rukwangali) were distributed all over the country. The FLI also developed the programme “Finanzewise” of which 12 episodes were broadcast by the NBC on Tuesdays. Street theatres performed plays educating young and old about finance matters. In total, 42 performances were held in 11 regions, reaching over 7,000 people. The FLI also reached out to Namibians through the print media publishing articles and adverts in New Era, SME Gazette and Namfisa Bulletin, as well as in the internal newsletters of the platform partners.

A new tool that was used to reach people was mobile phones. Regular SMS–es were sent to all participants in the FLI database and the SMS Campaign was extended as an educational tool.

Extensive training programmes facilitated by business development firm SMEs Compete saw 40 trainers equipped with skills, of which eventually 35 were hired to spread the FLI message across the country. Through their trainings over 700 micro–entrepreneurs were taught how to budget, save and invest wisely.

Through a cooperation with Junior Achievement the FLI also conducted two training sessions for teachers (in Khomas and Hardap) to establish saving clubs at schools and youth centres. This resulted in 18 savings clubs that have started in this school year alone.

Financial Literacy Initiative: Upcoming activities

- Launch of Facebook page on 15 March
- Upcoming mobile application that can be used offline, to calculate interest and learn about finances
- Upcoming radio show (starting around May, watch out for the radio and TV adverts on NBC announcing the programme)
- Upcoming next phase “Borrow–Wise”
- Workplace programme advocacy

FLI SCENES AROUND NAMIBIA:
Street theater and grass roots education is an essential part of boosting financial awareness
The Financial Literacy Initiative is a national platform to enhance financial education and comprises over 30 platform partners from the financial sector.

Every month, the Financial Literacy Initiative offers you useful and valuable tips and information on financial matters for businesses.

This month: Positive Cash Flow = Healthy Enterprise!

Cash flow is the lifeblood of small businesses. To earn profits, you can do either or both of these two things: increase revenue, or cut down costs. Of these two, cutting on costs is easier than increasing income!

How can you increase cash reserves for your business?

1. **Negotiate**: Always try to get the best price and discounts for the products and services you require.

2. **Collect receivables**: Improve your cash position by ensuring that your billing, collections, and payables methods are operating efficiently.

3. **Tighten credit requirements**: To improve your cash flow position, be stringent with your credit and terms, requiring your customers to pay cash for their purchases. It increases the cash on hand and reduces bad-debt expense.

4. **Increase sales**: An increase in sales automatically leads to an increase in cash flow.

5. **Manage your creditors**: The key in cash flow management is to bring cash into the business as quickly as possible, and then hold onto your cash as long as possible by managing your payables. In other words; take as long as you’re allowed, without incurring late fees or interest charges, to pay your company’s bills.

6. **Invest your spare cash**: When your cash flow has become stable, consider investing your excess cash in one of the savings options available from financial institutions.

Keep in mind that a bad credit history can stifle your business, so you need to protect yours.
S
ince she attended a Training of Trainers (ToT) course at SMEs Compete late last year, Hilya Kambanda has taken financial literacy to the community. The administrative officer at the Men on the Side of the Road project in Wanaheda trained several groups of unemployed young men to manage their finances. SME Gazette sat down with Hilya and several of her trainees.

Men on the Side of the Road (MSR) is an income generating project that equips mostly young men with skills and prepares them for the job market. The organisation over the past 6 years has helped many jobseekers destined to spend their days on street corners, find permanent or casual employment.

“Our members don’t have a regular source of income which makes it even harder to budget,” says Kambanda at the organisation’s headquarters in the Habitat Centre in Wanaheda. Joining us at the table are four MSR members, who have participated in Kambanda’s training. “All participants were very involved,” says Kambanda. “I am really proud that we already have guys that make saving a priority. Even saving 50 cents a day, through making the right choices, in the end makes a difference.”

“We didn’t know how to save,” admits Simeon Kamati who has been in and out of work since 2007 and now is planning to start a small business at the coast, specialising in painting and glazing. “I learned that when I get a job that earns me N$100, I put N$20 aside first, before I spend the remaining N$80. Saving should be the first thing you think of when drawing up a budget.”

“You budget according to the money you have,” adds Robert Mudimbi who has been looking for a job since 2012. “We check at the shops and compare prices, that way you can save even small amounts.”

According to Mickal Nerson, who specialises in cleaning and gardening, one of the eye-openers from the workshop was how to put saved money to work. “Apart from saving we learned about investments. Like when I buy cattle that is an investment for the future.”

Emmanuel Mweefeni, also has been looking for a job since 2012. For him it is a dream to buy a house, ‘because it will appreciate in value and therefore makes a good investment’. Although it’s early in the year and January’s Disease is affecting the members of MSR just like anyone else, the training has helped them prepare. Nerson: “This December I spent wisely. First I bought food instead of just spending the money on enjoyment.” Having a small SME in the construction industry Nerson adds that the course helped him plan for the business. “Budgeting helps our SME. Before the training we didn’t separate business and personal expenses. We would just put everything in one pocket and use it as the need arose. Now I put money aside for investments like when I need to buy a tool. And I have two bank accounts, one for the business and one for me.”

Most of the men dream of venturing into business one day. Mudimbi: “I first want to find a good job that enables me to start a business that sells food, a small takeaway.” Nerson already has a small business selling sweets, alcohol and paraffin and hopes he will be able to grow it. For Emmanuel Mweefeni it is clear; he wants to grow a building and construction business and create jobs for those that don’t have any.”
Counting beans MADE EASY

With the ever increasing number of entrepreneurs trying to get their business off the ground, the need for proper bookkeeping systems is skyrocketing. Luckily there are several professional and easy-to-use software packages on the market. SME Gazette put three of them in a row for you.

According to software distributor QuickSoft (distributors of QuickBooks Accounting Software) consultant Bianca Manetti, the right kind of software package can make all the difference between a costly administrative mess and a bookkeeping system that saves you time and money. QuickBooks, developed by US–based Intuit is available in the options Simple Start, Premier and Pro. Which product is most suitable depends on the size of your business.

QuickBooks according to Mannetti comes standard with free installation on condition that the accounting software is bought from the distributor QuickSoft. “We offer an optional service, which is onsite training and support as some clients that are not so clued up on accounting require a little additional training. Training is charged separately,” she adds.

“QuickBooks is a very straightforward and an easy to use accounting program. If you don’t have any accounting background you can use it, as long as you know what a debtor and creditor is. The software allows you to make quotations and payments and create customised financial statements. This software is not limited to usage by close corporations, or sole traders, but can be used by any company big or small,” she says.

According to Pen–tech Support Centre’s accountant Charlene Penderis, the Omni Accounts range of accounting software comes in a basic package, which the user can add as their business expands. “We also offer group training which is quoted separately to the client, depending on the modules the client requires.”

Pastec Distribution and Training’ Managing Member Peter Hearne says the Sage Pastel Accounting Software package comes standard with telephone and internet support and is used in over 50 countries. The customer pays an annual cover charge that includes free updates.

“There are three different levels; the starter package (My Business and Xpress), medium businesses (Partner) and large corporations (Evolution). Interestingly, the SME package My Business has an online component allowing easy access for offsite bookkeepers.”

The Sage Pastel Xpress package has a “Startup” Option and a Multi–company / Multi–user option which allows companies to share the software and thus limit the costs.

According to Hearne, the Package was designed by accountants and auditors and the logical accounting operation is made easy for a “non–accountant” in the way that the product is designed. “Pastel prides itself in having well trained and informed users. We have online courses as well as classroom courses available at a fee. Successful students receive an internationally recognized Sage Pastel Certificate on completion of their chosen course,” he says.

FACTBOX: SME ACCOUNTING PACKAGES

**OMNI ACCOUNTS ESSENTIALS**
Ideal for new or young start up businesses, delivers a fully functional accounting system with emphasis on ease of use and affordability offering an upgrade path to any of the higher Omni bundles. N$499.00

**SAGE PASTEL MY BUSINESS**
A start–up package with online option for easy offsite access sells for N$902.75
Xpress Startup is available from N$1926.25.
Pastel Xpress for multiple users/companies sells for N$6037.50, or N$1099.00 and N$2999.00 respectively for a version without support and upgrades.

**QUICKBOOKS PRO/PREMIER**
The package comes complete for small businesses and start–ups with the best of bookkeeping and basic financial solutions. It is available in both Premier and Pro and starts at N$2000.
**BUSINESS DIARY**

**Feb-April**

### 25 FEBRUARY
**Entrepreneurs’ circle**  
Contact NBIC

### 26 – 27 FEBRUARY
**RLabs academy**  
Contact NBIC

*Book & record keeping*
Walvis Bay  
08:30 – 16:00  
Coastal Branch  
Contact SMEs Compete

### 5 MARCH
**The Namibian Employers’ Federation training session**  
Overview of the NTA  
Training Levy  
Conciliation and Arbitration

Windhoek, Lions Club  
Maerua Mall  
08:00

Costs: N$ 600.00  
Non NEF Members: N$ 500.00  
NEF Members: N$ 400.00  
**Charges include certification, refreshments and handouts. (excl VAT)**

Contact Gisela Andrews:  
Fax: 061 – 244 231  
neftraining@nef.com.na

### 5 – 6 MARCH
**Introduction to HR management**  
Windhoek  
08:30 – 13:30  
Navin Morar Centre  
Contact SMEs Compete

*Book & Record Keeping*
Ongwediva  
08:30 – 13:30  
Northern Branch  
Contact SMEs Compete

### 9 – 10 MARCH
**Selling, customer care and shop display**  
Windhoek, Navin Morar Centre  
08:30 – 13:30  
Contact SMEs Compete

### 10 MARCH
**11 MARCH**  
**Economic review on the state of the Namibian Economy**  
Hilton Hotel in Windhoek  
07:30 – 13:00  
Contact NCCI

### 11 MARCH
**12 MARCH**  
**Branding module**  
Contact NBIC

### 12 – 14 MARCH
**RLabs academy**  
Contact NBIC

*13 MARCH*
**Entrepreneurs’ circle**  
**Developers’ circle**  
Contact NBIC

### 13 MARCH
**13 MARCH – 14 MARCH**  
**Marketing strategy development**  
Contact SMEs Compete

### 14 MARCH
**Financial Literacy Initiative**  
Windhoek Review Meeting  
Windhoek  
08:30 to 17:00  
Contact SMEs Compete

### 16 – 17 MARCH
**Business plan and funding proposal**  
Windhoek  
08:30 – 13:30  
Navin Morar Centre  
Contact SMEs Compete

### 22 – 28 MARCH
**BootCamp: business planning**  
Contact NBIC

### 26 MARCH
**Financial Literacy Initiative**  
South Review Meeting Keetmanshoop  
08:30 to 17:00  
Contact SMEs Compete

### 26 – 27 MARCH
**Book & record keeping**  
Contact SMEs Compete

### 27 MARCH
**Entrepreneurs’ circle**  
Contact NBIC

### 2 – 4 APRIL
**RLabs academy**  
Contact NBIC

### 5 APRIL
**Innovation workshop**  
Contact NBIC

### 9 APRIL
**Financial Literacy Initiative**  
Coastal Review Meeting  
Swakopmund  
08:30 to 17:00  
Contact SMEs Compete
**WHAT’S ON?**
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**12 APRIL**
**FabLab opening**
Contact NBIC

**17 APRIL**
**Entrepreneurs’ circle**
Contact NBIC

**19 APRIL**
**BootCamp finance day**
Contact NBIC

**19 APRIL**
**FabLab label / packaging workshop**
Contact NBIC

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**15 – 21 APRIL**
**Innovation week**
Contact NBIC

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**16 – 17 APRIL**
**Introduction to software development**
Contact NBIC

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**20 APRIL**
**Business registration day**
Contact NBIC

**23 APRIL**
**Product circle**
Contact NBIC

**24 APRIL**
**Developers’ circle**
Contact NBIC

**25 APRIL**
**NCCI SME conference**
Rundu
Contact NCCI

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**FOR MORE INFORMATION ON SME RELATED EVENTS, PLEASE CONTACT THE RESPECTIVE ORGANISATION**

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EMPLOYER BRIEF

CABINET PASSES TRAINING LEVY

In a press statement that was published on 13 December and, therefore, went by almost unnoticed, cabinet announced the introduction of a training levy for employers. The Vocational Training and Education Levy, as the measure is officially titled, amounts to 1.5 percent of the employer’s annual payroll. In addition the Education Ministry can impose an increased levy for companies that employ non–nationals. The criteria for such an additional levy will be stipulated by the Namibian Training Authority (NTA). The NTA will also collect all training levies and keep 15 percent for administration purposes. Half of the levy has to be used for the employer’s immediate training needs, while 35 percent falls under a Key Priority Window destined for the furtherance of Vocational Education and Training and ‘support for Sector and Government Priorities’. All funds that the employer doesn’t use also have to be funnelled through to the Key Priority Window.

The levy only applies to companies with an annual payroll of N$350,000 or more. Exempted are all Government agencies and institutions, State–owned Enterprises, churches, welfare organisations and educational institutes. In its motivation cabinet states: “Namibia is faced with a deficit of skilled workforce. The answer to this is increased investment in Vocational Education and Training (VET). Vocational Centres in the country face inadequate infrastructure, machinery, systems and processes to allow trainees to be trained and acquire VET skills. This situation has resulted in a low or skills scarcity of necessary skills at various levels of the economic development. The scarcity of skills has resulted in limited job opportunities for school leavers and subsequent showdown [sic] in economic growth.” The levy is estimated to generate in excess of N$300 million annually and is expected to come into force mid 2013.

Financial Intelligence Act amended

Late last year and again under the radar, the Minister of Finance signed the Financial Intelligence Act (FIA) into law. The Act caters for the establishment of a Financial Intelligence Centre under Namibia’s Central Intelligence Service (CIS) and is designed to trace transaction related to money laundry, organised crime and terrorism.

The Act replaces the 2007 FIA. For the private sector the Act outlines some important provisions regarding transactions (especially cross–border transactions and cash transaction over prescribed limits), record keeping and reporting, as well as the registration of trusts.

In accordance with section 4 of the Act the Financial Intelligence Centre will obtain all details of all companies and close corporations from the Registrar. The FIA puts a special responsibility in this regard on companies to make sure their data at the Registrar are up to date at a potential fine of N$10 million.

It is advisable that businesses contact their auditors or accounting officers to ensure they are in compliance with the Act.

SSC UPS MATERNITY BENEFITS

The Social Security Commission (SSC) has adjusted its wage contribution ceiling for various benefits upwards. The ceiling for the maternity leave, sick leave and death benefit (MSD) Fund will be adjusted upwards from N$6,000 to N$9,000 per month, from 1 March 2013. The contribution rate remains the same at 1.8 percent of the basic wage. The measure means that an amount of up to N$9,000 per month is covered in case of maternity leave. Similarly the cover for work related accidents has been increased. The wage ceiling for persons covered under the Employees’ Compensation Act has been adjusted upwards from N$72,000 to N$78,000 per annum, while the ceiling of wages that have to be declared was increased from N$60,000 to N$66,000. The measure means that all employees earning up to N$76,000 are now included into the mandatory cover for work related accidents or injuries. The SSC makes provision to cover employees earning more than N$76,000, if the company wishes.
IN THE NEXT ISSUE...

“The hardest thing to understand in the world is income tax.”
Albert Einstein

Getting to grips with tax as an SME. We've got you covered with our April tax special

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