



namBiC

NAMIBIAN BUSINESS AND INVESTMENT CLIMATE SURVEY

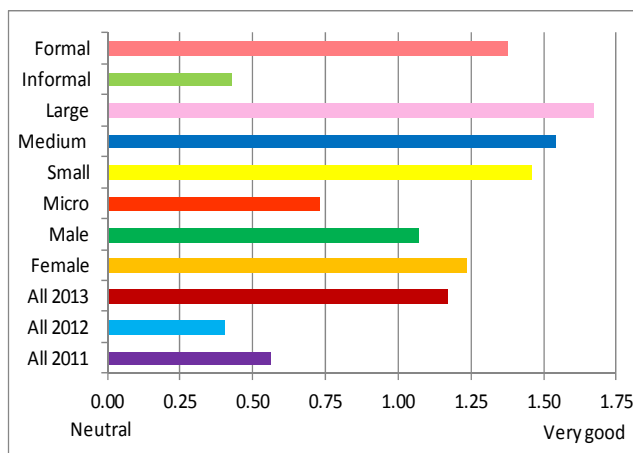
2013

Summary

Namibia has set an ambitious target in the Fourth National Development Plan launched in July 2012 – the country aims to become the most competitive economy in the Southern African Development Community by 2017. Based on the World Economic Forum’s latest Global Competitiveness Report, Namibia is currently ranked fifth in the SADC region. In order to achieve the NDP4 goal, close cooperation and consultation between the public and the private sectors are necessary in order to address issues of concern to the business sector. The Namibian Business and Investment Climate Survey (namBiC) provides a valuable tool for capturing the mood of the private sector regarding the business environment and identifying the main challenges the sector faces. NamBiC 2013 is the fourth consecutive annual survey.

General economic conditions

- Rating of business climate for 2013 improved significantly. Contrary to global economic prospects, Namibian business people rated the economic conditions in 2012 as more favourable than those of 2011, and are even upbeat regarding the prospects for 2013. On a scale ranging from -2 (very bad) to +2 (very good), the perceived business climate for 2013 received a rating of +1.17, which exceeds the ratings in previous years.
- The favourable rating of business conditions does not translate into major investment decisions. Not only did fewer companies invest during 2012; they also **intend to invest less than average during 2013**: investment into the expansion of the business scores -0.55 and investment into the replacement of equipment -0.52, meaning business people intend to invest below average.
- The **prospects for the labour market remain positive**, although not as positive as in the preceding years. 38 per cent of respondents intend to employ more workers in 2013, down from 46 per cent and 51 per cent in the two previous years, while only 1.5 per cent plan lay-offs.



Obstacles to business growth

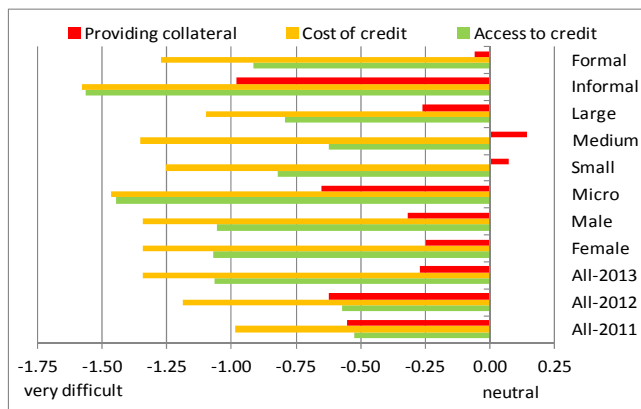
A shift occurred in the ranking of the relevant obstacles to businesses.

- Access to and cost of finance, access to land and cost of utilities** were jointly identified as the **three biggest challenges** for businesswomen and -men in the country.
- The **demand for products and services** follows on place four, but appears to be a particular challenge for firms operating in the hotel and restaurants sector, since it is ranked second behind access to and cost of finance.
- Crime and theft** is overall ranked as the fifth biggest concern, but affects micro enterprises and the formal sector more than other businesses.

	1	2	3
All	Access to and cost of finance	Access to land	Cost of utilities
Micro	Access to and cost of finance	Access to land	Cost of utilities
Small	Access to and cost of finance	Access to land	Cost of utilities
Medium	Access to and cost of finance	Access to land	Cost of utilities
Large	Access to and cost of finance	Access to land	Cost of utilities
Informal	Access to and cost of finance	Cost of utilities	Access to land
Formal	Access to and cost of finance	Access to land	Cost of utilities

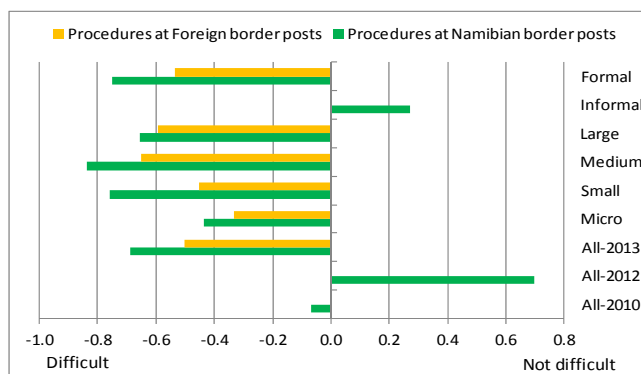
Finance

- The **access to credit** is rated as **difficult** (-1.07) and worse than in the previous survey (-0.57). It affects the informal sector most severely as the rating of -1.57 (very difficult) shows compared to a rating of -0.91 (difficult) from formal sector respondents.
- The **cost of credit** was an even greater issue to business people. The rating worsened from -1.19 (namBiC2012) to -1.34. Informal sector respondents rated the cost similarly to access to credit, namely -1.58, compared to a rating of -1.27 by the formal sector. Micro enterprises saw the cost as more of a burden (-1.47) than large companies (-1.10), but they all consider the **costs as high**.
- The **provision of collateral was regarded as less challenging** than in previous years. Although the rating remained in negative territory (-0.27) it had slightly improved since the last survey (-0.62) and that of two years ago (-0.55).



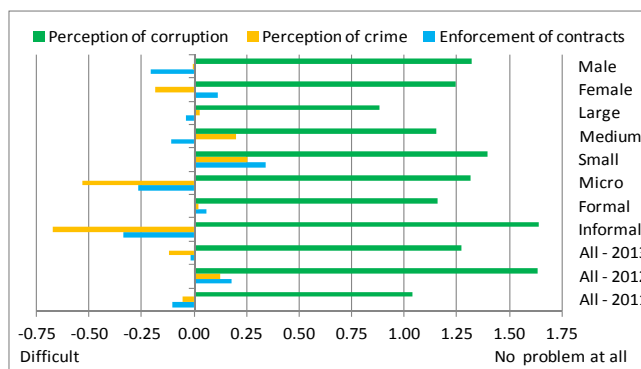
Border procedures

- The rating of border procedures on the Namibian side has changed dramatically from +0.70 in 2012 to -0.69 in this year's survey.
- In particular the rating of -0.75 from the formal sector implies that they consider the procedures a hindrance to trade.
- The rating of the procedures on the foreign side of the border received a slightly better rating of -0.50.
- Procedures on the foreign side of the border appear to affect larger businesses more adversely than smaller enterprises.
- Although Namibia improved her ranking concerning cross-border trade in the World Bank's Doing Business Report 2013 by moving up two places to 140 out of 185 countries compared to 2012 and by thirteen ranks compared to 2011, the country finds herself in the bottom quarter of countries.



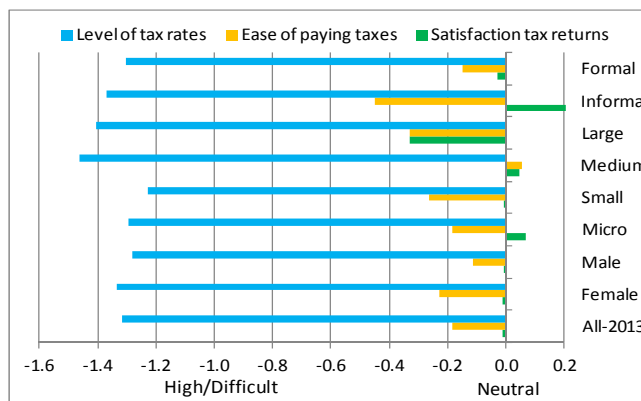
Crime and Corruption

- Corruption received a very positive rating (+1.27) indicating that it is not perceived by business people to be a problem. However, the rating dropped compared to the previous year (+1.64).
- The prevalence of crime was also rated more critically by all respondents this time and moved into the negative (-0.12 compared to +0.13 a year earlier).
- In particular the informal sector is more worried about crime than the formal sector (rating of -0.67 and +0.02).
- Perceptions on the enforcement of contracts and property rights deteriorated from +0.18 in the namBiC 2012 to -0.02. Both scores are close to zero, implying that it is neither difficult nor easy to enforce contracts.



Paying taxes

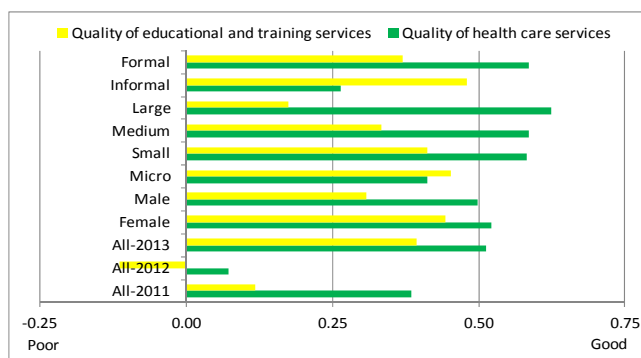
- Despite regular complaints by companies over lengthy procedures for reclaiming input VAT, the handling of tax returns by the Receiver of Revenue (RoR) received the most favourable rating of the three questions referring to Namibia's tax system (rating of -0.1).
- The ease of paying taxes received a more negative rating of -0.18. The negative sentiments were led by large (-0.33) and small enterprises (-0.26), while only medium companies provided a slightly positive feedback (+0.06).
- Business people regard tax rates as too high as the rating of -1.31 on the scale of -2 (very high) to +2 (very low) clearly indicates. Medium and large enterprises were most critical of the tax rates (-1.46 and -1.40 respectively), but small (-1.23) and micro (-1.29) enterprises followed quite closely behind.



Health and Education

Perceptions of the quality of health and educational services in the country have improved considerably over the past year.

- Health services were rated at +0.51 on a scale of -2 (very poor) to +2 (very good), up from +0.07 a year earlier.
- The rating of educational services improved as well, but to a lesser extent, from +0.11 to +0.39.
- There are two regions that stand out at opposing ends of the scale. Respondents from the Oshana region provided a low rating on the state of health (+0.06) and education (-0.04) in their region, while business people in the Kavango region were most positive about the quality of service delivery (+0.92 and +1.14 respectively).



Background information

The sample aimed at establishing a reasonable balance of businesses of different sizes, sectors and regions as well as formal and informal businesses. 200 interviews were carried out face-to-face with informal businesses in four locations: Oshakati, Rundu, Walvis Bay and Windhoek. 463 business people out of a sample of 800 responded to the telephonic interviews from across the country. This is a substantial improvement on the previous surveys that attracted 446, 377 and 405 responses for the namBiC 2012, 2011 and 2010 respectively.

The full version of this report including recommendations is available at the NMA, NCCI and IPPR offices in Windhoek and can be downloaded at www.nmanamibia.com or www.ncci.org.na or www.ippr.org.na. If you like to find your logo on this publication and become a Gold or Silver sponsor of namBiC 2013, kindly contact Charity Mwiya at NCCI: charity@ncci.org.na.

