financial & private sector development

THE WORLD BANK

Enterprise Surveys Country Profile

Namibia

2006

Region: Africa

Income Group: Lower Middle Income

Population(2006): 2.1 million

GNI per capita (2006): US$2990

http://www.EnterpriseSurveys.org

World Bank, 1818 H Street, N.W. Washington DC, 20433 Tel. (202) 458-4808 Fax (202) 522-2029 Email: rru@worldbank.org

Contents

Introduction

Enterprise Surveys

The Enterprise Surveys focus on the many factors that shape the decisions of firms to invest. These factors can be accommodating or constraining and play an important role in whether a country will prosper or not. An accommodating business environment is one that encourages firms to operate efficiently. Such conditions strengthen incentives for firms to innovate and to increase productivity—key factors for sustainable development. A more productive private sector, in turn, expands employment and contributes taxes necessary for public investment in health, education, and other services. In contrast, a poor business environment increases the obstacles to conducting business activities and decreases a country's prospects for reaching its potential in terms of employment, production, and welfare.

Enterprise Surveys are conducted by the World Bank and its partners across all geographic regions and cover small, medium, and large companies. The surveys are applied to a representative sample of firms in the non-agricultural economy. The sample is consistently defined in all countries and includes the entire manufacturing sector, the services sector, and the transportation and construction sectors. Public utilities, government services, health care, and financial services sectors are not included in the sample. Enterprise Surveys collect a wide array of qualitative and quantitative information through face-to-face interviews with firm managers and owners regarding the business environment in their countries and the productivity of their firms. The topics covered in Enterprise Surveys include the obstacles to doing business, infrastructure, finance, labor, corruption and regulation, law and order, innovation and technology, trade, and firm productivity.

The qualitative and quantitative data collected through the surveys connect a country's business environment characteristics with firm productivity and performance. The Enterprise Survey database is intended to be useful for both policymakers and researchers. The surveys are to be repeated over time to track changes and benchmark the effects of reforms on firm performance.

Country Profiles

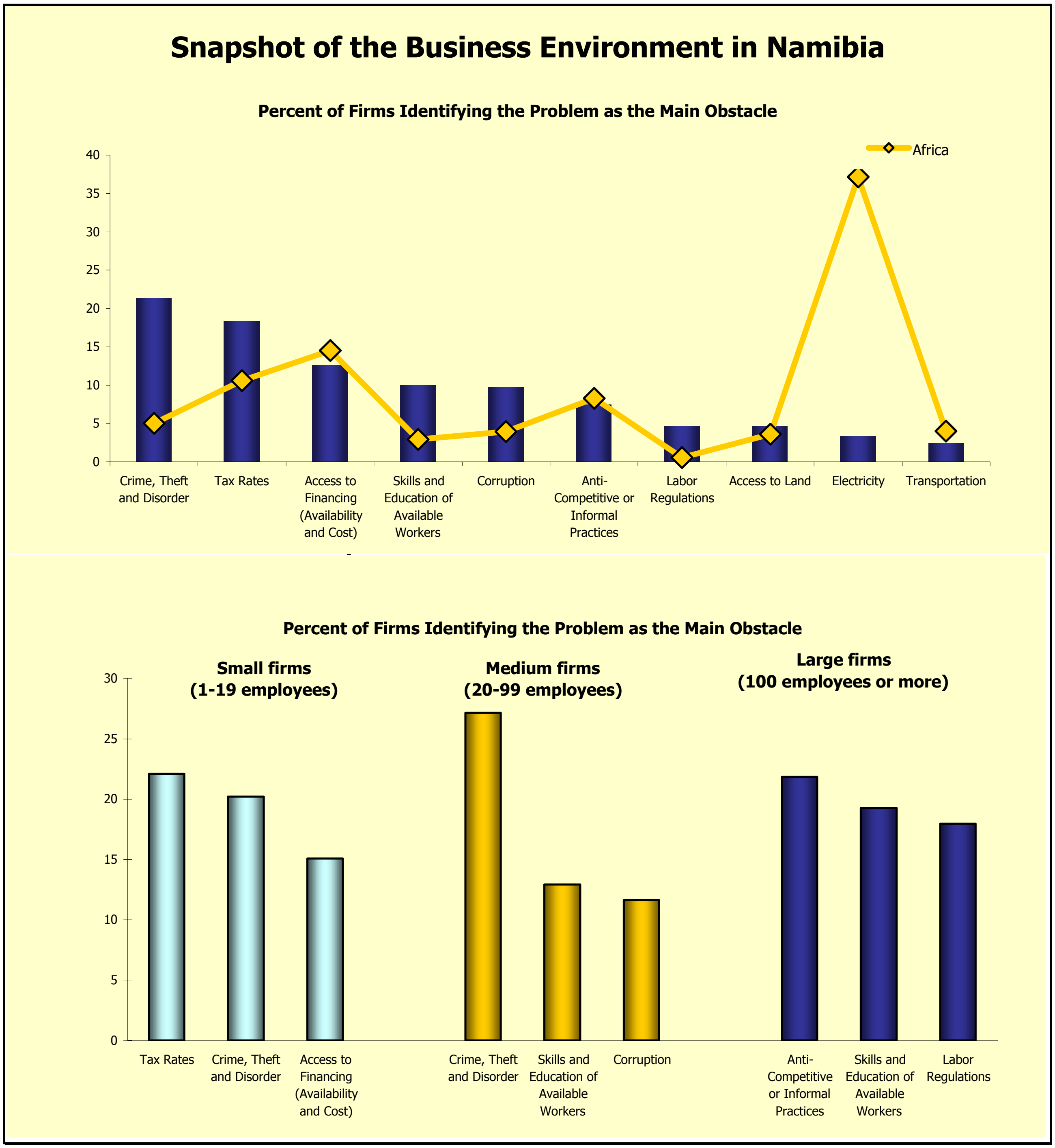
The Country Profiles produced by the Enterprise Analysis Unit (FPDEA) of the World Bank Group provide an overview of key business environment indicators in each country, benchmarking against their respective geographic region and group of countries with similar incomes. Breakdowns by firm size are presented in the Appendix of the document along with all statistics used to make the graphs. The same topics are covered for all countries with slight variations in indicators (subject to data availability). This format allows cross country comparisons. All indicators are based on the responses of firms.

To learn more about the firms sampled for this country profile (tabulations for these and other indicators by industry, exports, and type of ownership) or to obtain profiles of other countries, please visit the web page http://www.enterprisesurveys.org. Currently available at the Enterprise Survey website are survey results on the business environment in over 97 countries, based on data from more than 61,000 firms.

Namibia

The country profile for Namibia is based on data from the Enterprise Surveys conducted by the World Bank in 2006. The benchmarks include the averages for the group of countries in Africa and the Namibia income group.

Below is a snapshot of the constraints to investment and doing business as perceived by firms. The first graph presents the top 10 constraints as identified by firms in Namibia benchmarked against the regional average. The second graph shows the top 3 constraints broken down by large medium, and small firms in Namibia.



Infrastructure

A strong infrastructure enhances the competitiveness of an economy and improves the quality of life of the population. Good infrastructure connects firms to their customers and suppliers, and enables the use of modern production technologies.

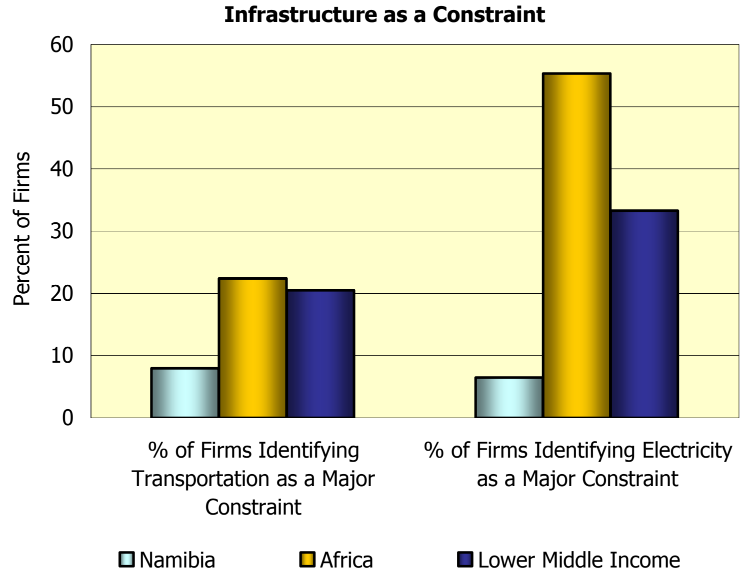
Conversely, deficiencies in infrastructure create barriers to productive opportunities and increase costs for all firms, from micro-enterprises to large multinational corporations.

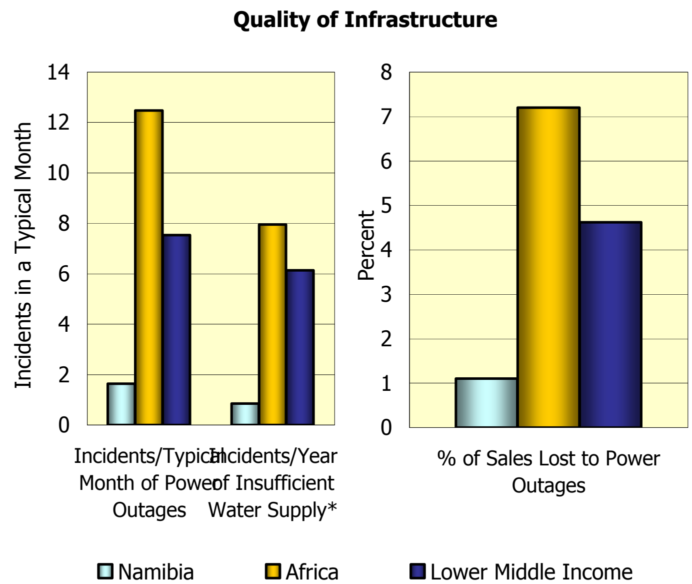
Enterprise Surveys capture the dual challenge of providing strong infrastructure: the physical construction of roads, power lines, water systems, etc., and the development of institutions that effectively provide and maintain public services.

The *first set of indicators* shows the extent to which firms perceive two components of infrastructure as constraints: transportation and electricity. Inadequate transportation and problems with electricity increase costs, disrupt production, and lower revenue.

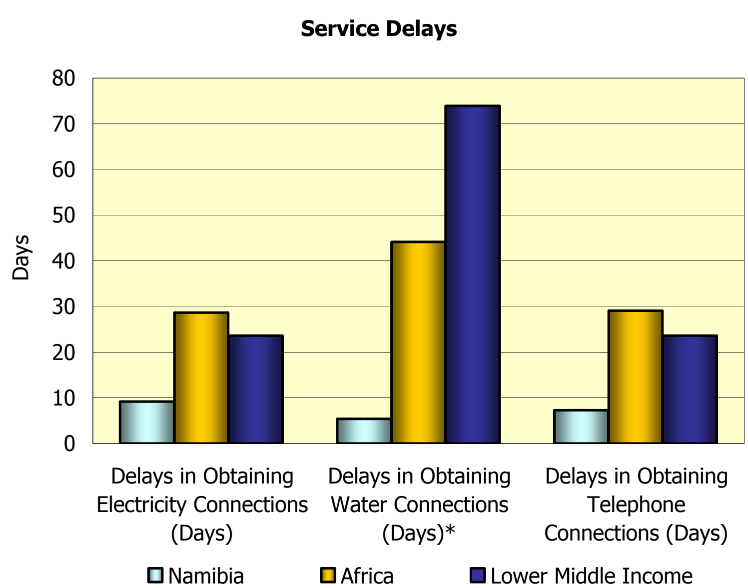
The *second set of indicators* measures the quality of infrastructure: the number of power outages and insufficiencies in water supply per month and losses due to power outages.

The *third set of indicators* evaluates the efficiency of infrastructure services by quantifying the delays in obtaining electricity, water, and telephone connections. Service delays impose additional costs on firms and may act as barriers to entry and investment.





* Manufacturing Sector



* Manufacturing Sector

Finance

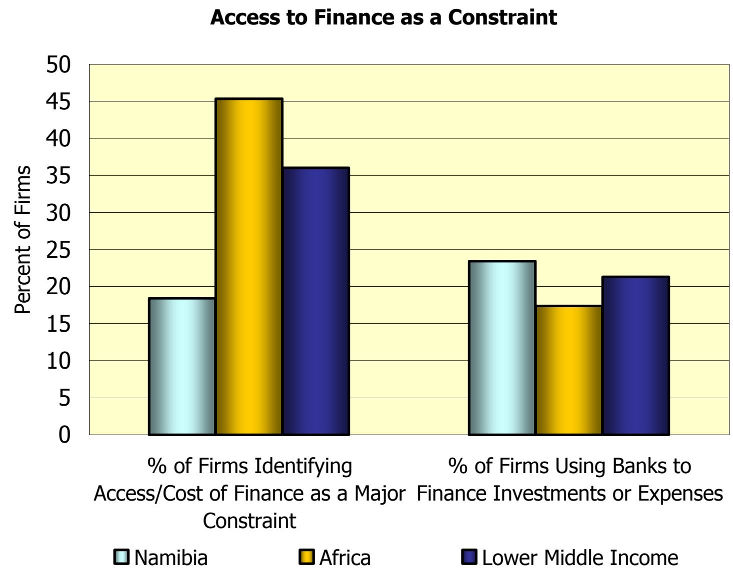
Developed financial markets provide payment services, mobilize deposits, and ease investment financing. Efficient financial markets reduce the reliance on internal funds and money from informal sources such as family and friends by connecting firms to a broad range of lenders and investors.

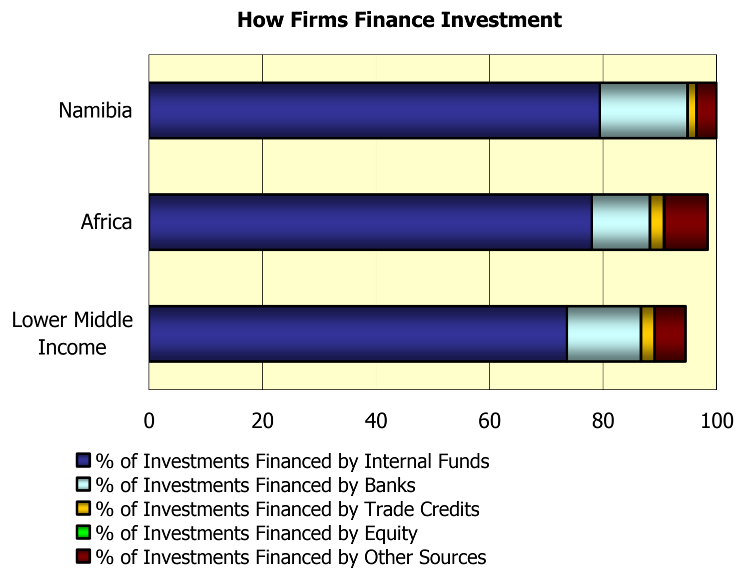
Enterprise Surveys provide indicators of how firms perceive their financial environment and finance their operations.

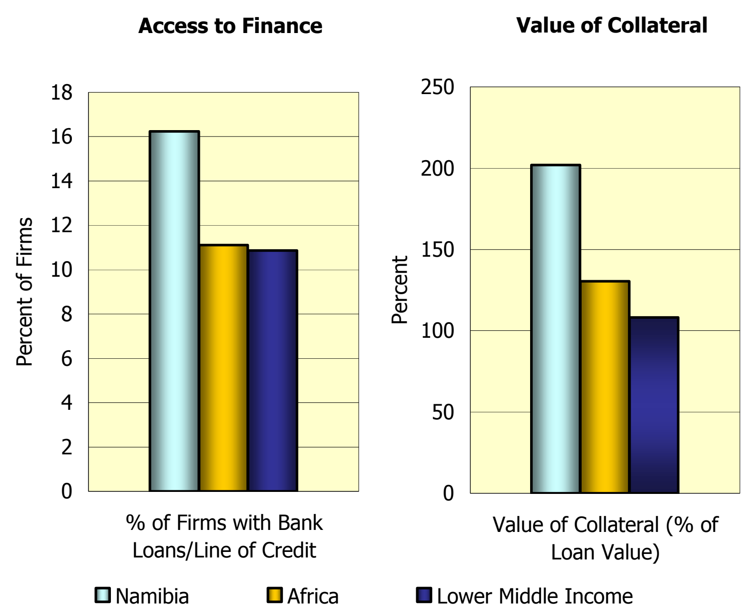
The *first set of indicators* measures the extent to which firms perceive access to finance as a constraint to investment and provides a measure of access. Inadequate financing possibilities create difficulties in meeting short-term payments for labor and supplies as well as longer-term investment. The use of banks to finance investments or working capital is an initial indicator of access to credit.

The *second set of indicators* compares the relative use of various sources for financing investment. Excessive reliance on internal funds is a likely sign of inefficient financial intermediation.

The *third set of indicators* focuses on the use of bank loans and overdraft facilities, and quantifies the burden imposed by loan requirements, measured by collateral levels relative to the value of the loans. Excessive loan collateral requirements are likely to constrain investment opportunities.







Labor

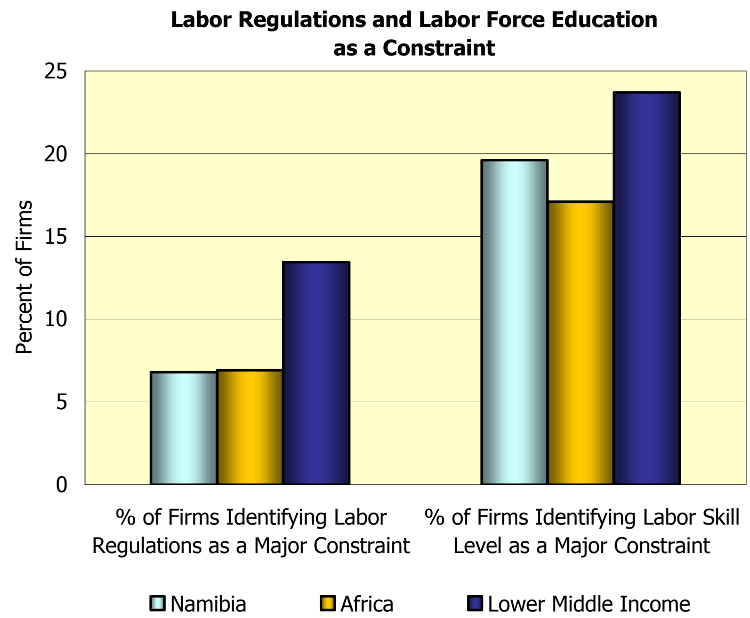
Jobs are the main source of income for people—and the main pathway out of poverty for the poor. A sound investment climate contributes to the creation of employment opportunities, investment in the workforce, increases in wages, and, ultimately, a more productive and prosperous society.

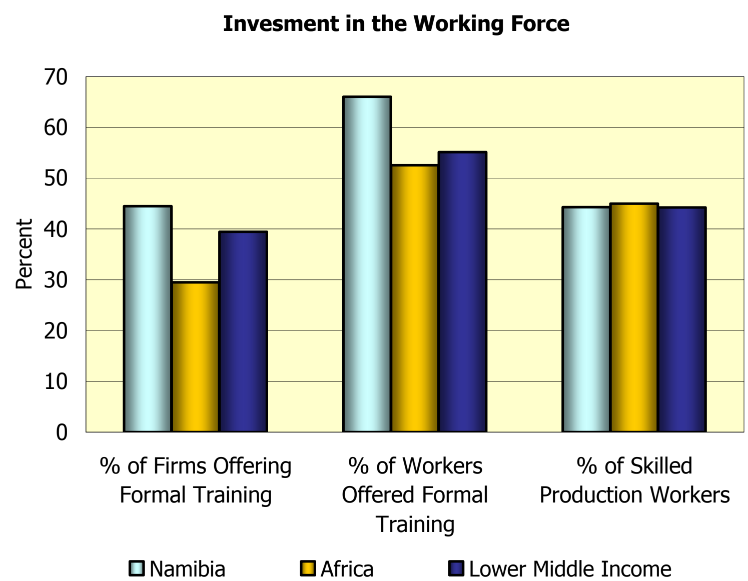
Enterprise Surveys collect information on the labor market constraints faced by firms and also on the characteristics of workers in the firms surveyed.

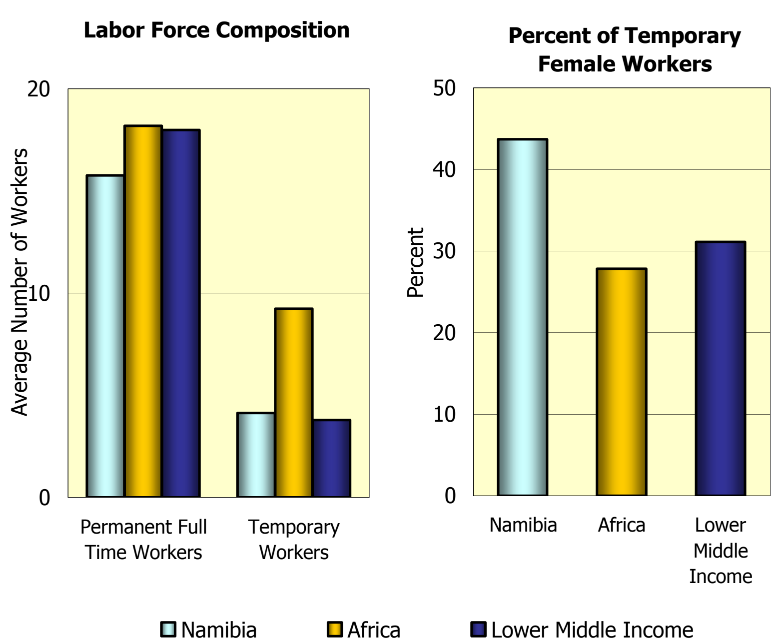
The *first set of indicators* measures the extent to which firms perceive labor regulations and labor skill level as constraints.

The *second set of indicators* highlights firm investment in the skills and capabilities of their workforce. Incidence and intensity of training is measured by the percent of manufacturing firms that offer formal training and the share of workers receiving training. The quality of labor is measured by the share of skilled workers in the manufacturing industry.

The *third set of indicators* presents the composition of the firms' workforce by type of contract and gender. Labor regulations have a direct effect on the type of employment and may have a differentiated impact by gender. The first two indicators present the composition of the workforce broken down by permanent and temporary workers. The following indicator reflects the participation of women in temporary employment.







Corruption and Regulatory Burden

The regulatory environment plays a significant role in shaping investment decisions and how firms do business. Effective regulations address market failures that inhibit productive investment and reconcile private and public interests.

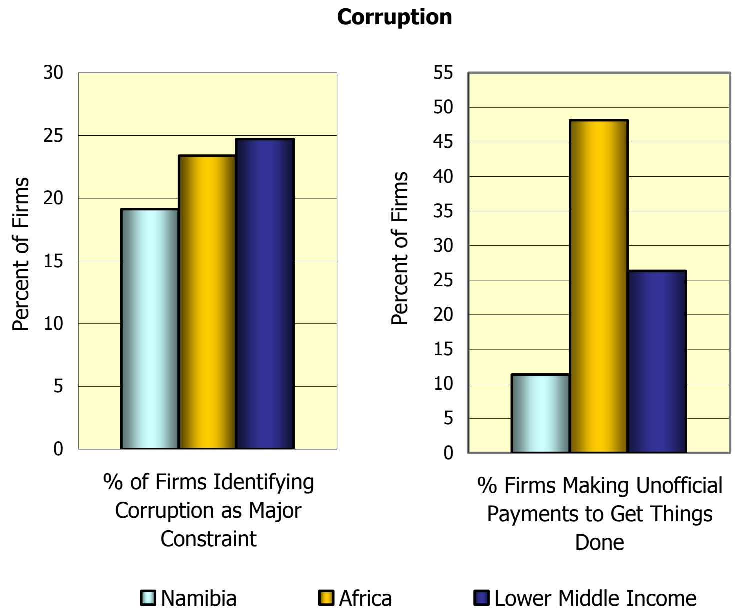
Conversely, inefficient regulations present major administrative and financial burdens on firms. In some environments, regulations present opportunities for soliciting bribes when firms are required to make "unofficial" payments to public officials to get things done.

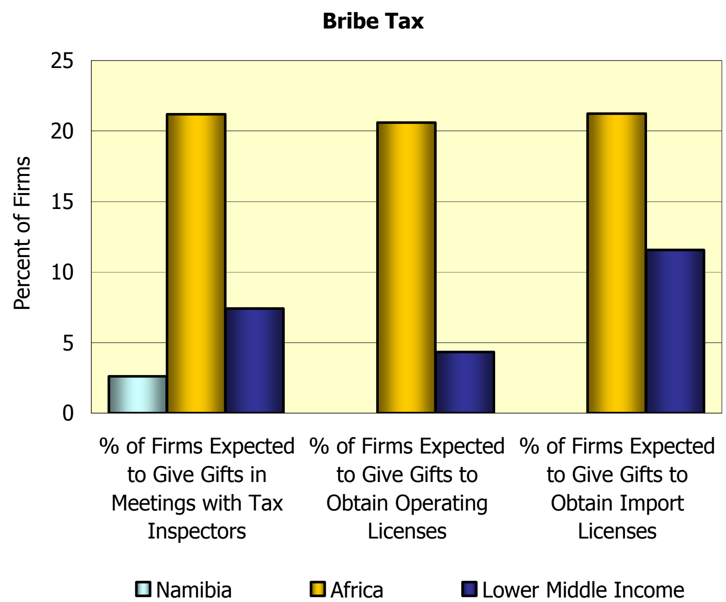
Enterprise Surveys provide qualitative and quantitative measures of corruption and regulatory burdens.

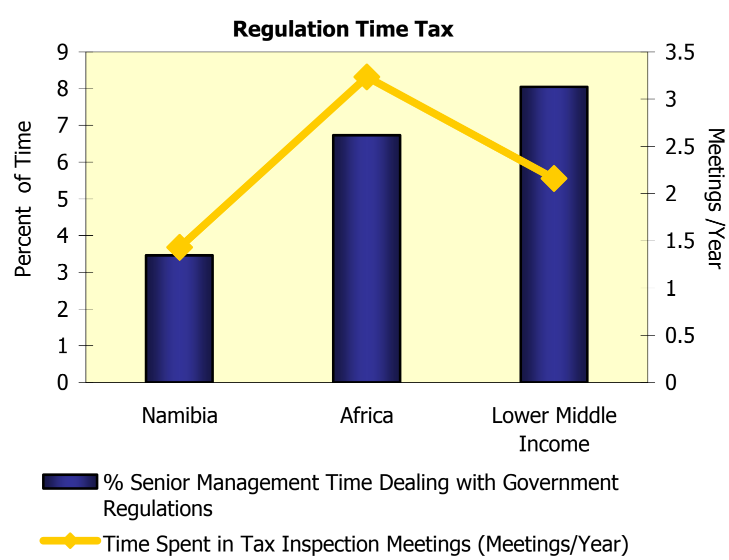
The *first set of indicators* focuses on the perception of firms regarding corruption and the share of firms making unofficial payments, i.e., paying the "bribe tax".

The *second set of indicators* identifies the extent to which specific regulatory and administrative officials require bribe payments with tax payments or to obtain a license.

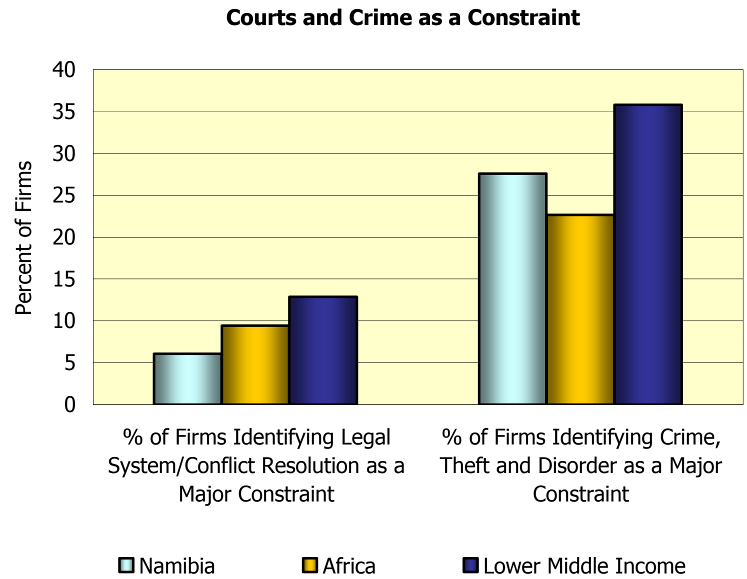
The *third set of indicators* captures the "time tax" imposed by regulation. The first indicator measures the time spent by senior management in meetings with public officials in order to comply with government regulations and the second measures the average number of tax inspections or meetings with tax inspectors.







Courts and Crime

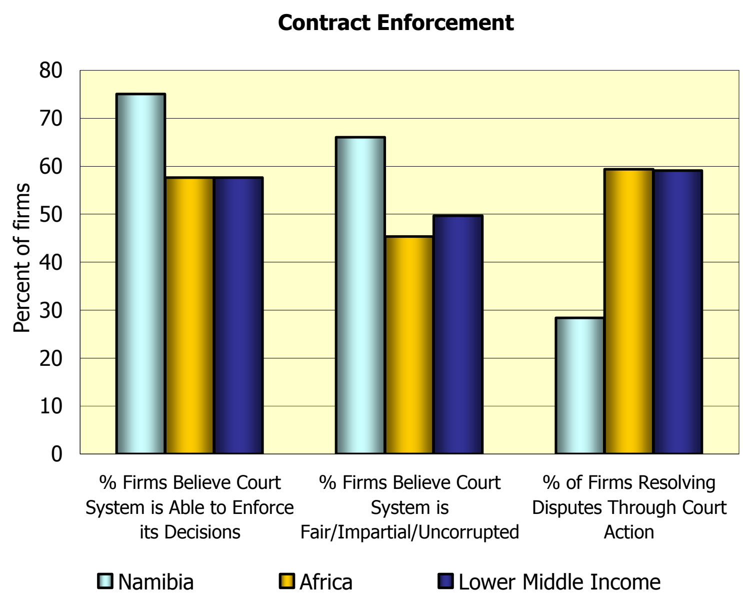


Commercial disputes between firms and their clients occur regularly in the course of doing business. Resolving these disputes can be challenging when legal institutions are weak or non-existent.

Often, the only recourse for firms to resolve commercial disputes is the court system. However, not only are outcomes uncertain, but also this process can be lengthy and expensive. Similarly, crime imposes costs on firms when they are forced to divert resources from productive uses to cover security costs.

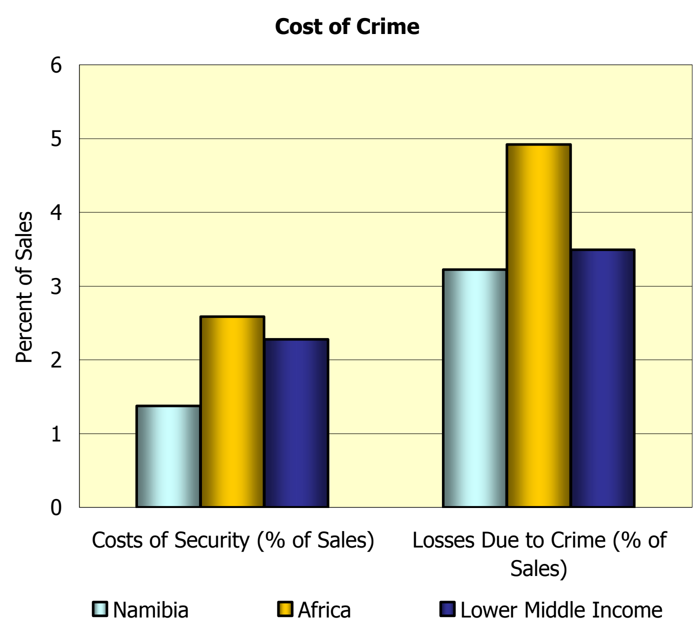
Enterprise Surveys capture key dimensions of contract enforcement problems and the effect of crime on firm revenue.

The *first set of indicators* shows the share of firms that identify the performance of courts of justice and crime as major constraints to their operations.



The *second set of indicators* first includes two perceptions regarding the quality of the service offered by courts. The third indicator shows the share of firms resolving third-party disputes through court action.

The *third set of indicators* measures the direct costs of security incurred by firms and losses due to crime. These resources represent an opportunity cost since they could have been invested in productive activities.



Innovation and Technology

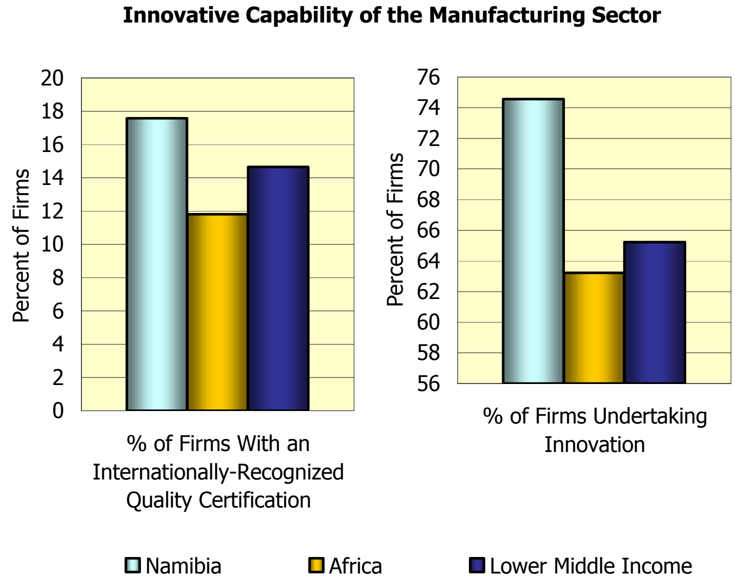
In order to survive and prosper in a competitive marketplace, firms must innovate and increase their productivity. A sound investment climate encourages firms to experiment and learn; it rewards success and punishes failure.

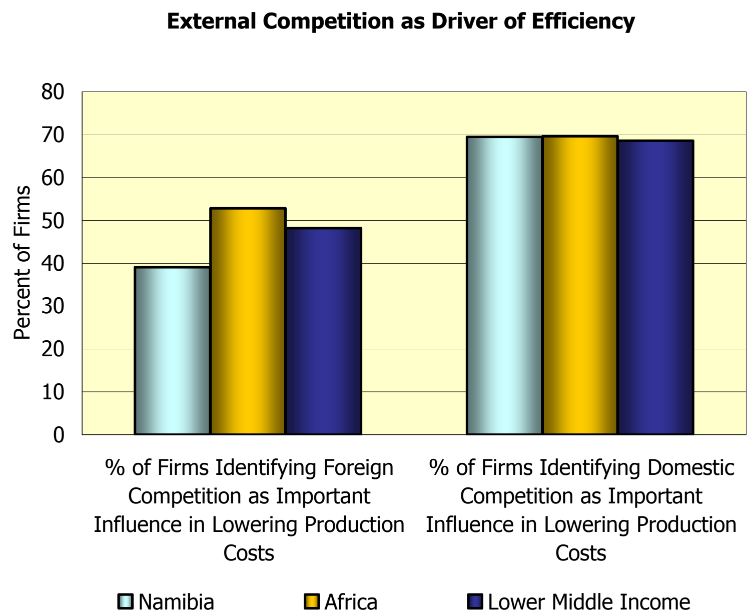
Enterprise Surveys provide indicators that describe several dimensions of technological efficiency and innovation.

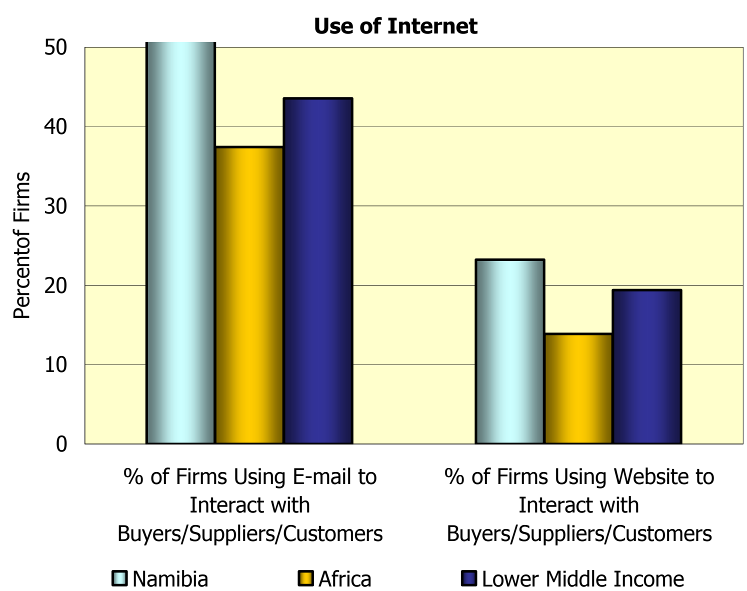
The *first set of indicators* measures the extent to which manufacturing firms invest in industry-recognized level of quality as well as the share of firms undertaking innovation. In this context, innovation encompasses the development or upgrade of product lines and the introduction of new production technologies.

The *second set of indicators* quantifies the effect of foreign and domestic competition in lowering production costs for manufacturing firms.

The *third set of indicators* demonstrates the use of information and communications technologies (ICT) in business transactions. ICT, such as the Internet, are important tools for all firms because they provide even the smallest of enterprises with the ability to reach national and international markets at low cost.







Trade

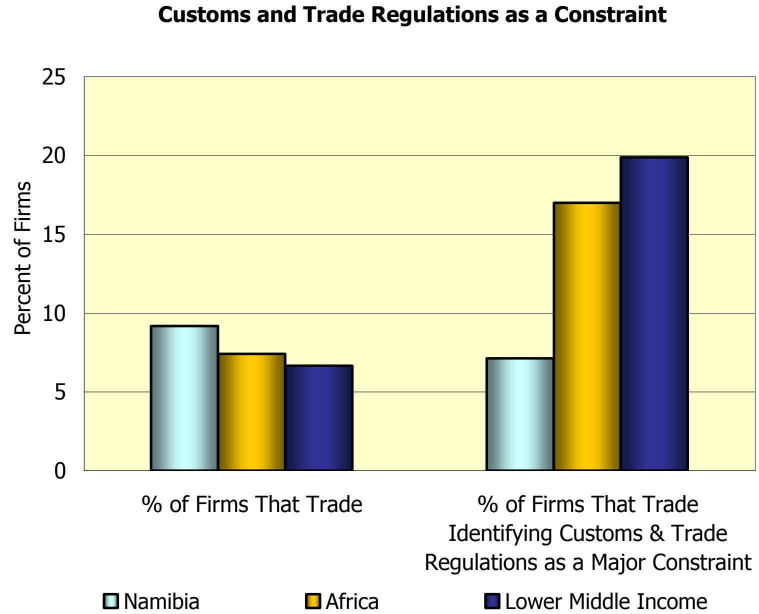
Open markets allow firms to expand, force greater efficiencies on exporters, and enable the import of lower-cost supplies. However, trading also forces firms to deal with customs services and trade regulations, obtain export and import licenses, and in some cases, face additional costs due to losses during transport.

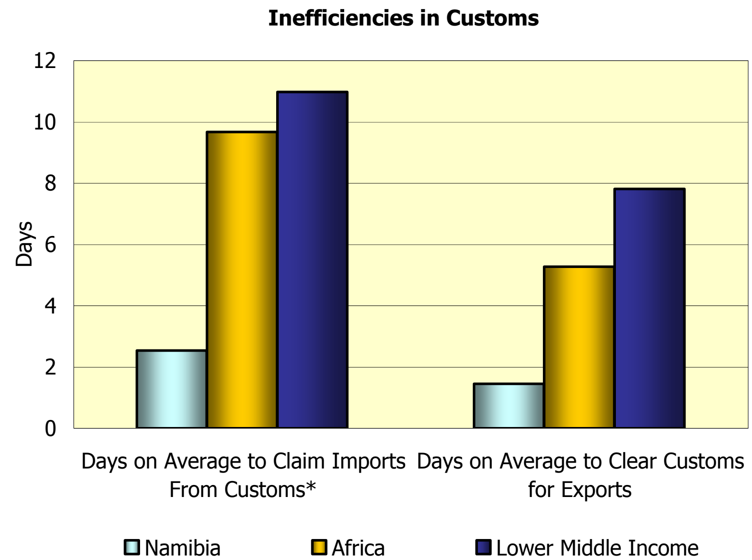
Enterprise Surveys collect information on the constraints faced by exporters and importers and also capture the trade activity of firms.

The *first set of indicators* shows the extent to which firms that trade directly, i.e. those that export or import without going through a distributor, consider customs and trade regulations to be a constraint.

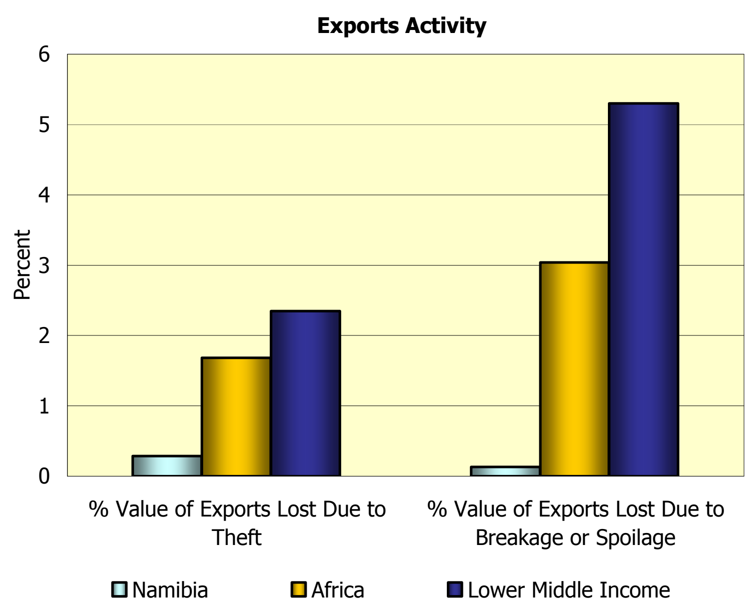
The *second set of indicators* measures the average number of days to clear customs for imports and exports. The delay in clearing customs for imports or exports creates additional costs to the firm and can interrupt production, interfere with sales, and result in damaged supplies or merchandise.

The *third set of indicators* shows the percent value of exports lost during transport due to theft or merchandise breakage or spoilage, reflecting the transport risks that firms must cover during the export process.





* Manufacturing Sector



Summary of Enterprise Survey Indicators

	Namibia	Small (1-19 employees)	Medium (20-99 employees)	Large (100+ employees)	Africa	Lower Middle Income
Percent of Firms Identifying the Problem as the Main Obstacle						
Electricity	3.3	3.3	3.0	5.3	37.2	20.0
Transportation	2.5	2.4	2.4	3.0	4.0	3.0
Access to Land	4.7	4.6	5.3	0.0	3.6	3.0
Tax Rates	18.3	22.1	7.9	0.0	10.6	13.8
Tax Administration	0.2	0.2	0.0	0.0	1.5	1.0
Customs and Trade Regulations	2.1	0.8	4.4	18.0	2.5	2.7
Labor Regulations	4.7	2.4	10.8	18.0	0.6	1.6
Skills and Education of Available Workers	10.1	8.9	12.9	19.3	2.9	5.0
Business Licensing and Operating Permits	1.6	2.0	0.3	0.0	2.2	3.9
Access to Financing (Availability and Cost)	12.6	15.1	4.7	9.6	14.5	13.0
Political Instability	0.8	1.0	0.3	0.0	2.6	0.8
Corruption	9.8	9.5	11.6	0.0	3.9	7.0
Crime, Theft and Disorder	21.4	20.2	27.2	5.0	5.0	11.6
Anti-Competitive or Informal Practices	7.5	7.2	6.5	21.8	8.3	13.1
Legal System/Conflict Resolution	0.7	0.1	2.5	0.0	0.7	0.7
Infrastructure Indicators						
% of Firms Identifying Transportation as a Major Constraint	7.9	8.5	3.2	30.2	22.4	20.5
% of Firms Identifying Electricity as a Major Constraint	6.5	7.2	2.9	13.7	55.3	33.3
Incidents/Typical Month of Power Outages	1.6	1.8	1.5	0.9	12.5	7.5
Incidents/Year of Insufficient Water Supply	0.9	1.0	0.0	0.8	8.0	6.1
% of Sales Lost to Power Outages	1.1	0.9	1.7	0.2	7.2	4.6
Delays in Obtaining Electricity Connections (Days)	9.2	5.5	13.4	19.5	28.7	23.6
Delays in Obtaining Water Connections (Days)	5.4	3.4	10.8	2.0	44.1	73.9
Delays in Obtaining Telephone Connections (Days)	7.3	7.6	4.2	16.0	29.1	23.6
Finance Indicators						
% of Firms Identifying Access/Cost of Finance as a Major Constraint	18.4	20.5	8.8	39.4	45.4	36.0
% of Firms Using Banks to Finance Investments or Expenses	23.4	21.0	30.7	30.3	17.4	21.3
% of Investments Financed by Internal Funds	79.4	83.0	71.3	63.1	78.0	73.6
% of Investments Financed by Banks	15.5	10.8	27.0	29.1	10.3	13.1
% of Investments Financed by Trade Credits	1.6	1.9	0.8	0.0	2.5	2.4
% of Investments Financed by Equity	0.0	0.0	0.0	0.0	0.1	0.0
% of Investments Financed by Other Sources	3.5	4.2	1.0	7.8	7.7	5.5
% of Firms with Bank Loans/Line of Credit	16.2	14.7	20.1	30.3	11.1	10.9
Value of Collateral (% of Loan Value)	201.8	223.5	101.1	123.6	130.3	108.1

Summary of Enterprise Survey Indicators

	Namibia	Small (1-19 employees)	Medium (20-99 employees)	Large (100+ employees)	Africa	Lower Middle Income
Labor Force Indicators						
% of Firms Identifying Labor Regulations as a Major Constraint	6.8	4.0	11.0	52.9	6.9	13.4
% of Firms Identifying Labor Skill Level as a Major Constraint	19.6	18.0	22.2	43.8	17.1	23.7
% of Firms Offering Formal Training	44.5	33.5	42.2	92.1	29.5	39.4
% of Workers Offered Formal Training	66.0	77.2	49.3	70.2	52.6	55.1
% of Skilled Production Workers	44.3	46.6	42.9	35.2	45.0	44.3
Number of Permanent Full Time Workers	15.8	8.6	31.5	108.5	18.2	18.0
Total Number of Temporary Workers	4.1	1.0	4.4	97.3	9.2	3.8
Percent of Temporary Workers - Female	43.7	45.3	41.1	39.4	27.8	31.1
Regulatory Burden and Corruption Indicators						
% of Firms Identifying Corruption as Major Constraint	19.1	20.9	14.8	2.7	23.4	24.7
% Firms Making Unofficial Payments to Get Things Done	11.4	12.4	8.7	2.8	48.1	26.3
% of Firms Expected to Give Gifts in Meetings with Tax Inspectors	2.6	0.4	6.4	0.0	21.2	7.4
% of Firms Expected to Give Gifts to Obtain Operating Licenses	0.0	0.0	0.0	0.0	20.6	4.3
% of Firms Expected to Give Gifts to Obtain Import Licenses	0.0	0.0	0.0	0.0	21.2	11.6
% Senior Management Time Dealing with Government Regulations	3.5	3.0	4.8	6.0	6.7	8.1
Time Spent in Tax Inspection Meetings (Meetings/Year)	1.4	1.5	1.4	1.5	3.2	2.2
Courts and Crime Indicators						
% of Firms Identifying Legal System/Conflict Resolution as a Major Constraint	6.1	5.8	7.2	5.3	9.4	12.9
% of Firms Identifying Crime, Theft and Disorder as a Major Constraint	27.6	25.6	33.9	32.6	22.6	35.8
% Firms Believe Court System is Able to Enforce its Decisions	75.1	74.6	75.2	87.8	57.6	57.7
% Firms Believe Court System is Fair/Impartial/Uncorrupted	66.1	65.1	67.6	82.0	45.4	49.7
% of Firms Resolving Disputes Through Court Action	28.4	31.9	15.4	79.1	59.4	59.1
Costs of Security (% of Sales)	1.4	1.5	1.2	0.4	2.6	2.3
Losses Due to Crime (% of Sales)	3.2	3.0	4.0	0.6	4.9	3.5
Innovation and Technology Indicators						
% of Firms With an Internationally-Recognized Quality Certification	17.6	0.1	0.3	0.5	11.8	14.6
% of Firms Undertaking Innovation	74.6	66.6	76.5	100.0	63.2	65.2
% of Firms Identifying Foreign Competition as Important Influence in Lowering Production Costs	43.6	36.6	46.0	69.4	40.9	50.4
% of Firms Identifying Domestic Competition as Important Influence in Lowering Production Costs	59.3	70.2	55.0	22.0	59.4	63.7
% of Firms Using E-mail to Interact with Buyers/Suppliers/Customers	62.6	57.4	78.8	76.2	37.4	43.6
% of Firms Using Website to Interact with Buyers/Suppliers/Customers	23.2	16.4	45.7	33.9	13.9	19.4

Summary of Enterprise Survey Indicators

	Namibia	Small (1-19 employees)	Medium (20-99 employees)	Large (100+ employees)	Africa	Lower Middle Income
Trade Indicators						
% of Firms That Trade	9.2	6.9	12.0	53.9	7.4	6.7
% of Firms That Trade Identifying Customs & Trade Regulations as a Major Constraint	7.1	5.5	12.9	2.7	17.0	19.9
Days on Average to Claim Imports From Customs*	2.5	2.8	2.4	2.3	9.7	11.0
Days on Average to Clear Customs for Exports	1.5	1.1	1.1	2.5	5.3	7.8
% Value of Exports Lost Due to Theft	0.3	0.6	0.0	0.0	1.7	2.3
% Value of Exports Lost Due to Breakage or Spoilage	0.1	0.0	0.0	0.5	3.0	5.3

Notes:

1- Country-level indicators denoting percentage of firms use as denominators the number of firms for which data for the respective question is available. Country-level indicators denoting quantities (i.e., number of days, percentage of sales, percentage of loan value, etc.) represent the average of responding firms that are not considered to be outliers. Outliers are defined as firms with values greater than the mean plus 3 times the standard deviation or lower than the mean minus 3 times the standard deviation for that particular indicator. Regional and income group indicators are calculated as the averages of country-level indicators in the respective region and income groups.

2- Indicators for Africa, the low middle income group, the lower middle income group, and the upper middle income group were calculated using country data available at the time of publication.

a. ***Africa*** : Africa: Angola, Botswana, Burundi, Capeverde, Democratic Republic of Congo, Gambia, Guinea, Guinea Bissau, Mauritania, Namibia, Rwanda, Swaziland, Tanzania, Uganda.

b. ***Low income group:*** Burundi, Democartic Republic of Congo, Gambia, Guinea, Guinea Bissau, Mauritania, Rwanda, Tanzania, Uganda.

c. ***Lower middle income group:*** Angola, Cape Verde, Namibia, Swaziland.

d. ***Upper middle income group*** : Botswana

* Manufacturing sector only

3. The sample for each country is stratified by industry, firm size, and geographic region. For stratification by industry the main manufacturing sectors in each country in terms of value added, number of firms, and contribution to employment are selected. The retail trade sector is also included in all countries as a representative of the services sector, and depending on the size of the economy, the information technology (IT) sector is included. The rest of the universe is included in a residual stratum. Stratification by size follows the three levels presented in the text: small, medium, and large. Regional stratification includes the main economic regions in each country. Through this methodology estimates for the different stratification levels can be calculated on a separate basis while at the same time inferences can be made for the economy as a whole, weighting individual observations by corresponding sample weights. Sample sizes for each stratification level are defined ensuring a minimum precision level of 7.5% with 95% confidence intervals for estimates with population proportions (for more technical details on the sampling strategy, please review the Sampling Note available at www.enterprisesurveys.org).

4. In Namibia included cities were: 2

Selected manufacturing industries

Manufacturing sector	106
Retail	110
Other sectors	113
Total	329

financial & private sector development

THE WORLD BANK IFC

The World Bank
1818 H Street, NW
Washington, DC 20433 USA
Enterprise Analysis Unit (FPDEA)
MSN-F4P-400
Fax: 001 202-522-2029