



REPUBLIC OF NAMIBIA

**MINISTRY OF INDUSTRIALISATION, TRADE AND SME
DEVELOPMENT**

**NATIONAL POLICY ON MICRO, SMALL AND MEDIUM ENTERPRISES
IN NAMIBIA**

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I. Chapter 1: Introduction

The Namibian Government is strongly committed to foster economic growth and development in order to overcome poverty and unemployment. Vision 2030 describes “A prosperous and industrialized Namibia developed by her human resources, enjoying peace, harmony and political stability”. Vision 2030 puts further emphasis “...on the welfare of the people, aiming at human development, equitable and balanced growth, resulting in a growing industrial sector, a modernized agriculture sector, and an enabling micro-economic and political environment”.

Micro, Small and Medium Enterprises (MSMEs) play a key role towards fostering job creation and income generation, and improving the living conditions of the Namibian people. Thriving and growing MSMEs are therefore a key success factor in achieving national development goals. This role has been recognised by the Namibian Government, which adopted a National Small and Medium Enterprises (SME) Policy and Programme in 1997 as a framework to create an enabling regulatory environment in which SMEs can be developed and promoted by the public and the private sectors. The Policy was aimed at addressing challenges facing the SMEs in the areas of finance, marketing, technology, infrastructure, skills development and institutional support.

The SME Policy and Programme haven't been reviewed since its inception and introduction in 1997, despite a number of changes having taken place in various facets of SME enterprise development as well as the macro and micro-economic environment of Namibia. Furthermore, the previous Policy did not reflect nor on the needs of micro enterprises, nor on the coordination, the implementation and the monitoring and evaluation of SME development programmes. The Policy also did not provide a viable treatment of an appropriate institutional framework for the attainment of its stated objectives. As a result, many governmental institutions as well as organisations from the private sector or the civil society offer a wide range of development support programmes in a fragmented and non-coordinated way. This potentially leads to duplication of efforts and a suboptimal allocation of resources. Eventually, such scenarios hamper efficient support to MSMEs.

The Ministry has thus realised the need of reviewing the current SME Policy and Programme to take these structural changes and needs into account. The revised **National Policy on Micro, Small and Medium Enterprises in Namibia** is aligned to the national objectives as expressed in Vision 2030, the National Development Plans as well as the Industrial Policy and its recent adopted implementation framework and strategy (Growth at Home). Moreover, the updated Policy proposes an updated definition for MSMEs, addresses the challenges faced by MSMEs and offers responses aligned to the new paradigms with respect to MSME financing and business advisory support services. Finally, the revised Policy emphasises stronger implementation guidelines, defines the appropriate national institutional framework at the meso level and advances suggestions for a comprehensive monitoring and evaluation system.

II. Chapter 2: Objectives of the Policy

2.1 Vision Statement

The vision of the MSME Policy is:

Thriving MSMEs that ensure effective utilisation of available resources and contribute significantly to the economic development of Namibia through sustained job creation and economic growth

2.2 Mission Statement

The mission of the MSME Policy is:

To devise programmes and interventions aimed at developing the MSMEs across key economic sectors and creating synergies with public, private and related civic stakeholders in the country

2.3 Overall Objectives

The overall objective of the MSME Policy is to create an enabling business environment for the MSMEs, allowing businesses to foster sustainable employment creation and income generation through training, improved access to finance, technology and markets, enhanced capacity to innovate and improved entrepreneurial skills. The objective of the MSME Policy is thus to provide the requisite policy and implementation frameworks to ensure the development of competitive, dynamic and innovative Namibian MSMEs.

2.4 Specific Objectives of the MSME Policy

The specific objectives of the MSME Policy are:

- To update and develop a comprehensive policy for MSME development, given their importance to the overall Namibian economy;
- To ensure the acceptance and thereby promotion of MSME as an indispensable agent of economic growth and poverty reduction;
- To ensure that the MSME Policy strategies contained herein are embedded in a broad based and integrated manner in government planning frameworks;

- To identify and establish appropriate financial, physical and information, communications technology (ICT) network of infrastructure and institutional delivery mechanism to ensure effective promotion of MSMEs;
- To proffer changes to the existing fiscal, regulatory frameworks and government support institutions towards facilitating the attainment of the goals of the MSME Policy;
- To nurture and promote MSME support institutions and associations in terms of the delivery of needed services;
- To advocate for the development of adequate platforms that prepares MSMEs for the challenges of globally integrated markets and the attendant high levels of competition;
- To foster the development MSMEs by adopting international good practices through the encouragement of modernisation and upgradation of technology;
- To reduce regional and spatial imbalances in industrial development of the Namibian economy by facilitating the setting of MSMEs in rural and previously underserved urban areas.

2.5 Scope of the Policy

The Policy covers the following key areas:

- Reviewing the MSME definition
- Highlighting constraints and challenges facing Namibian MSMEs
- Formulating clear development strategies and policy recommendations
- Creation of synergies among MSMEs support institutions and improvement of the institutional framework
- Laying the ground for a sound Monitoring and Evaluation system

2.6 Guiding Framework

The MSME Policy is based on the key guiding policies established by the Namibian Government, namely:

- Vision 2030;
- National Development Plans (NDP 4 and beyond);
- Local Economic Development White Paper of 2011;
- National Industrial Policy of 2012;
- Growth at Home Execution Strategy;
- National Rural Development Strategy of 2012; and
- Namibia Financial Sector Strategy of 2012

III. Chapter 3: MSMEs in Namibia

This chapter aims at providing an overview of the current status quo for MSMEs in Namibia. It proposes a revised version of the definition of Micro, Small and Medium Enterprises which was adopted in 1997. It further highlights the current contribution of MSMEs to the Namibian economy, the institutional setting and the main challenges faced by MSMEs in Namibia.

3.1 Definition of MSMEs

The definition of the sector was last officially enunciated in the 1997 SME Policy. This definition has remained constant over the years, despite various regional and global dynamics leading to economic changes and the nature of firms undergoing structural changes. Moreover, the 1997 definition doesn't include the micro enterprises and only differentiated between MSMEs engaged in manufacturing activities and all other businesses. No provision was made for timely modifications of the definition as and when local, regional and global dynamics would dictate.

It is for the above mentioned reasons that the revised MSME Policy proposes a revised version of the Namibian MSME definition. The definition complies with internationally acknowledged standards and defines MSMEs according to two criteria, namely number of employees and annual turnover. The definition is as follows:

Table 1: Definition of MSME

Category	No of Employees	Annual Turnover (NAD)
Micro	Up to 10	Up to N\$300,000
Small	11-30	Up to N\$3,000,000
Medium	31-100	Up to N\$10,000,000

NB: this definition is to be seen as a guideline only. In the event of an enterprise falling under two categories, the final categorisation will be of the appreciation of the appraiser, and additional information might be required to determine the category of the given enterprise.

NB: Informal and survivalist enterprises are not included in this definition, as these enterprises will be tackled in another, dedicated policy.

3.1.1 Adoption of MSME Definition and Flexibility Principle

The MSME Definition is to be adopted by stakeholders from both the Namibian public and private sectors. A one (1) year time frame is to be allowed for all stakeholders to align their current MSME definition with the national definition as outlined in this Policy.

However, the MSME Policy makes provision for a Flexibility Principle. The Flexibility Principle allows stakeholders to define narrower scopes in order to better serve the specific objectives of their respective support programmes, provided the modified definitions remain within the framework given by the national definition.

3.1.2 Modification of MSME Definition

The Government of the Republic of Namibia may from time to time modify the MSME definition adopted in this Policy in order to ensure it is continuously aligned with the national economic aspirations. Moreover, modifications of the MSME definition may be needed to reflect structural economic changes affecting the Namibian economy. Any modifications to the MSME definition must be informed by the Monitoring and Evaluation system in place and must be officially announced through publication in a Government Gazette.

3.2 Situational Analysis

This section looks at the current situation for MSMEs in Namibia. It describes the current contribution of MSMEs to the Namibian economy, looks at the current institutional framework, and outlines current constraints and challenges hampering MSME development.

3.2.1 Contribution of MSMEs to Namibian economy

Micro, Medium and Small Enterprises are key contributors to employment creation, income generation and poverty reduction among the inhabitants of Namibia, both in rural and urban areas. Indeed, strong, independent and growing MSMEs are the drivers of growth, innovation, development and job creation in an emerging economy where the scale and diversity of large businesses are insufficient to meet the demand for new investment and employment. MSMEs are by nature flexible enterprises and thus are at the forefront of technological innovation. MSMEs can evolve into growth-oriented businesses that provide much needed jobs. Furthermore, a deeper integration of MSMEs into the national economy and the participation of MSMEs in key value and supply chains of major national industries will have a knock-on effect on many larger and more formal businesses, and hence benefit the Namibian economy as a whole.

In Namibia, the latest figures show that an estimated 33,700 (of which around 15,000 are formally registered) MSMEs provide some form of employment and income to 160,000, accounting for approximately one third of the nation's workforce and contribute approximately 12% to the Namibian GDP (Bank of Namibia, 2004). However, these figures are outdated, which speaks for the need to conduct continuous quantitative research on Namibian MSMEs. According to the NamBIC survey, there is a higher job destruction among MSMEs than among large firms, but the number of jobs created tends to outweigh the number of jobs destructed, resulting in a higher net job creation for

MSMEs than larger firms. Namibian MSMEs operate in a variety of economic sectors, with the majority of them being retail traders, one quarter in food processing and other manufacturing or craft, and the others involved in services.

3.2.2 Institutional Framework

Currently, a lot of institutions from the public sector, from the private sector as well as from the civil society support MSMEs through a variety of vehicles and development programmes. However, there is a lack of coordination between private and public institutions supporting MSMEs, leading to duplications of interventions and waste of resources and hampering efficient support to MSMEs. There is, therefore, a need to map all the interventions targeting MSMEs and to explore effective ways to coordinate these interventions.

3.2.3 Constraints and Opportunities for Development

A number of MSME Support Programmes have been put in place to address the challenges facing the MSMEs. However, entrepreneurs still face challenges in implementing their business ideas. MSMEs, due to their size, are particularly constrained by:

- **Access to finance:** MSME financing is unattractive to traditional financial institutions as they are perceived to be high risk investments that do not yield commensurate returns. Even if they offer promising, commercially viable investment opportunities, MSMEs are often not backed by adequate collateral. Only few businesses use financial services, the majority relies on their own financial contributions and contributions from family members or friends. Limited access to finance is also strongly correlated with poor financial literacy (the majority of MSMEs make use of private saving accounts or private cheque accounts to run the business for instance). As a result, 97% of Namibian MSMEs are considered non-bankable. According to the World Bank Enterprise Survey, 40.9% of small and 28.6% of medium enterprises identify access to finance as a major constraint, whereas only 1% of large enterprises see access to finance as a challenge for their development.
- **Access to land:** Due to historical reasons and a skewed land distribution, there are limited affordable business premises available throughout the country for MSMEs, and high rental costs jeopardise the implementation of start-up companies. Moreover, high cost of serviced land hinder further investments.
- **Access to and high costs of utilities:** With Namibia being a semi-arid country, water is not easily accessible throughout the year. Furthermore, Namibia is relying on imported electricity to cover its power consumption. Steadily increasing energy and prices and insufficient energy and water supplies threaten the further development of the economy as a whole. Because of

their small size, MSMEs are more exposed to rising prices as they cannot realise any economy of scale.

- Skills: lack of entrepreneurial skills such as management skills, accounting, creativity personal commitment, among the entrepreneurs lead to poor business proposals and a lack of viable projects. In the global marketplace, the ability to create, acquire and adapt new technologies has become a critical requirement to compete successfully against other economic players.
- Crime: according to the World Bank enterprise survey, only 43% of small enterprises pay security services, compared to 73% of medium enterprises and 83% of large enterprises. Moreover, small and medium enterprises experience more losses due to theft and vandalism than Namibian larger enterprises and than the average small and medium enterprises in sub-Saharan Africa. As a result, 16% of small enterprises and 20% of medium enterprises identify crime, theft and disorder as a major constraint to their development, compared to only 5% of larger enterprises.
- Global competition: the opening of markets and lower tariffs contribute to an increased competition from imports, the entry of new foreign investors in the domestic economy and the strengthening of domestic, large firms that conquer traditional, mostly local MSME markets. Globalisation is also linked with a shorter life cycle of products and technology, making it difficult for MSMEs to catch up.
- Access to technology and Research & Development: Due to insufficient investments into Research and Development, Namibian MSMEs depend strongly on imported technology and imported skills for the maintenance and operation thereof. According to the World Bank Enterprise Survey, close to 40% of medium enterprises use technology licensed from foreign companies. Furthermore, there is insufficient knowledge in Namibia on the availability of technologies.
- Access to markets: the majority of the businesses do business only locally. A survey showed that only 4% of the sampled MSMEs export their goods or services, while 16% sell their goods or services within the administrative region they operate in. 12,7% do business throughout the whole of Namibia. Due to the limited market size in Namibia, MSMEs need to export their products or services if they want to grow.
- Lack of accurate information on MSMEs: Whereas many studies have been conducted about MSMEs have been conducted over the years in Namibia, there is still a lack of accurate, quantitative information on MSMEs. As an example, there is no database in place. This poses a problem for the monitoring of MSMEs' development and the design of relevant support programmes.

- Cumbersome administrative processes: According to the Doing Business Survey by the World Bank, Namibia remains a country with lengthy and costly administrative procedures. Registering a business requires going through 10 different steps and can take up to 66 days. Moreover, it comes with a cost. MSMEs do not always have the technical and financial capacities to comply with these procedures.
- Lack of a structured and regulated Business Development Services (BDS) market: Business consultants have identified the need for Business Development Services in the country and have made use of this opportunity, offering costly trainings and consultancy services targeting MSMEs. There is a need to regulate this market, in order to ensure quality and value for money to the MSMEs making use of such services.

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IV. Chapter 4: Policy Principles

The MSME Policy is premised on the following key principles:

4.1 Viable Economic Development Strategy

The MSME Policy is premised on the principle that the development of MSMEs provides a viable economic strategy that supports poverty reduction, employment creation and infuses dynamisms in the Namibian economy towards competitiveness at national, regional and global level.

4.2 Differentiated Approach

The MSME Policy acknowledges the diversity of MSMEs and the myriad of challenges, constraints and opportunities MSMEs face. Thus, the MSME policy appreciates that monolithic development approaches might not yield the desired results. Hence, different or separate policy recommendations are proposed, targeting MSMEs according to their size, their years of activity, the sector they operate in to mention a few differentiation criteria.

4.3 Social Integration

The MSME Policy also places special emphasis on women and vulnerable groups, on rural MSMEs as well as on previously disadvantaged groups in order to reduce the impact of colonial era policies.

4.4 Economic Integration

The Government acknowledge the importance of vibrant, dynamic and competitive MSMEs for the competitiveness of the whole Namibian economy. Hence, the MSME Policy aims at making Namibian MSMEs integral part of the national economy, i.e. integrate Namibian MSMEs into larger networks of producers or supply chains.

4.5 Levelling the Playing Field

The MSME Policy recognises that optimal MSME development will require sustained public support mechanisms to offset the inherent disadvantages of MSMEs such as size and high operational inefficiencies vis-à-vis larger enterprises.

The MSME Policy further acknowledges the importance of civil society organisations in enhancing the entrepreneurship culture in the society.

4.6 Integrated Coordination rather than Fragmentation

The MSME Policy advances and supports an integrated coordinated approach to the sector rather than a fragmented approach in terms of both financial and non-financial support measures. Ensuring appropriate institutional frameworks thereto is thus a pertinent requirement to support the integrated coordination principle.

4.7 Private Sector as a Key Stakeholder

The MSME Policy recognises the critical role of the private sector in ensuring effective implementation of the policy measures as well as in resource mobilization. The MSME Policy thus recognizes the need for continuous engagement of the private sector as a key stakeholder.

4.8 Shared Resource Mobilisation Responsibility

The MSME Policy advances and supports the principle that the mobilisation of financial resources for the MSME sector is a shared responsibility among all stakeholders, including the intended MSME beneficiaries.

4.9 Sustained Government Commitment and Monitoring

The MSME Policy hence states that a comprehensive set of systemic measures in various policy areas such as labour, public procurement, economic incentives, fiscal policy, business regulations, commerce, competition, trade policy, education, monetary policy and quality standards is required. As a consequence, the successful implementation of the MSME Policy necessitates the sustained commitment of the Government.

The MSME Policy postulates that for optimal and effective implementation of the policy measures and overall framework, government ownership, commitment and monitoring is the underlying requisite critical plank at the highest level.

V. Chapter 5: Policy Strategies

The MSME Policy recommends strategies aimed at overcoming constraints identified in chapter 3 and to create a healthy environment for the development, promotion and upgrade of the Namibian MSMEs. The strategies cover the following areas:

- Policy and Regulatory Framework
- Access to Infrastructure
- Culture of Entrepreneurship in Society
- Access to Finance
- Business Development Services
- Innovation and Technology Development and Adaptation
- Access to Local, Regional and International Markets and Supply Chains

5.1 Policy and Regulatory Framework

The legal environment for MSMEs remains a very centralised, costly and cumbersome one. MSMEs need to meet a large number of requirements emanating from laws and regulations impacting on their operations, such as tax rates, environmental regulations, labour law, business registration procedures, etc.

The Government recognise that MSMEs are disadvantaged in comparison to larger businesses due to their comparatively higher costs of compliance. Hence, the Government aim at making the legal framework more flexible for MSMEs in order to minimise the bureaucratic costs and foster MSME development. At the same time, the legal framework shall protect the MSMEs and their employees and ensure their working environment is safe.

5.1.1 Corporate Registration

Despite the continuous efforts of Government since the inception of the SME Policy in 1997, business registration remains a lengthy and costly challenge for MSMEs. Furthermore, the detailed procedures of business registration are not known to all MSMEs. Some MSMEs do not register for these reasons. The registration of businesses shall be encouraged for monitoring and assistance purposes.

Recommendations:

- (a) Maintain a one-stop registration centre dealing with all application forms, namely the Business and Intellectual Property Authority (BIPA). BIPA is meant to be a fully-fledged agency.
- (b) Create and disseminate information materials on business registration procedures through the BIPA and the regional MITSD offices and other support institutions such as the Namibia Chamber of Commerce and Industry (NCCI).
- (c) Continue efforts to streamline corporate registration procedures in order to reduce the length and costs of the processes.
- (d) Sensitise, prepare and provide guidance to MSMEs to ensure a flawless registration process.

5.1.2 Fiscal Incentives

The Government of the Republic of Namibia understand the importance of fiscal incentives as a tool to boost investment and business development.

Recommendations:

- (a) Investigate further ways to simplify the tax administration system in order to reduce the burden on MSMEs.
- (b) Design a differentiated fiscal incentive scheme to take into account priority development areas (e.g. previously disadvantaged areas or clusters) or priority sectors.

5.1.3 Labour Laws

The sources of the Namibian Labour Law are the Common Law, the Legislation (Labour Act 11 of 2007 and related legislation such as Social Security Act & Regulations) and the Case Law. The Labour Laws define the employment relationship and can hence be seen as a constraint for MSMEs which wish for a more flexible legislation. At the same time, the legal framework shall protect the MSMEs and their employees and ensure their working environment is safe and doesn't jeopardise the safety and health of the employees, at a bearable cost for the MSMEs.

Recommendations:

- (a) Streamline relevant regulations, such as labour market regulations, that impact on MSMEs development to ensure that procedures developed for large enterprises are not automatically applied to MSMEs and are affordable for MSMEs.
- (b) Support MSMEs complying with health and safety regulations.

5.1.4 Bankruptcy Laws and Disputes

Insolvency Act 24 of 1936, as amended in South Africa to November 1979 and revised in 2005, governs bankruptcy procedures.

Recommendations:

- (a) Assess and improve the insolvency and bankruptcy procedures to streamline processes, time and cost, so as to ensure that assets of failing enterprises are re-deployed as quickly as possible
- (b) Provide targeted legal assistance to MSMEs in case of business disputes.

5.1.5 Procurement

Securing procurement contracts with public, private and civic partners ensures stable market access for MSMEs' products and services. However, tendering procedures do not always allow MSMEs to stand a fair chance to win tenders.

Recommendations:

- (a) Explore ways to increase MSMEs' access to public, private and civic procurement opportunities by ensuring that procedures do not discriminate against MSMEs or creating incentives to encourage the demand side to procure from MSMEs.
- (b) Review the Namibia Competition Act to allow MSMEs to combine resources in tendering.
- (c) Inform MSMEs about procurement rules and regulations.

5.1.6 Protection of environment

Government through the Ministry of Environment and Tourism (MET) have instituted a process of reform policies and laws in order to protect the environment. The sensible environment protection procedures that Namibia has developed are as follows:

- Environmental Management Act No.7 of 2007
- National policy on Human-Wildlife Conflict Management (2009)
- The Nature Conservation ordinance (1975) as amended through the Nature Conservation Amendment Act of 1996
- The Game Products Trust Fund Act (1997) and
- The Environmental Investment Fund of Namibia Act (2001)

The MSME Policy acknowledges that MSMEs need to comply with the environmental legislation in order not to harm the environment. However, there is a need for additional financial and administrative assistance to upgrade to greener technologies and help MSMEs comply with the

regulatory requirements such as environmental impact assessments (EIA). Furthermore, there is limited awareness of MSMEs on regulatory environmental matters.

Recommendations:

- (a) Provide technical and financial assistance to MSMEs to comply with environmental regulations.
- (b) Assess administrative and financial burden emanating from environmental regulations and streamline environmental regulations where necessary.
- (c) Educate MSMEs on environmental issues such as pollutions, soil erosion, and waste production and mitigation techniques such as recycling techniques.
- (d) Disseminate information on environmental regulations.

5.2 Infrastructure for Businesses

Reliable business infrastructures are a prerequisite for the development of competitive MSMEs.

5.2.1 Transportation

Transport infrastructures in good conditions are required in order to ensure market penetration and flawless circulation of goods and persons, locally, regionally and internationally. Moreover, transport costs shall not hamper the competitiveness of MSMEs.

Recommendations:

- (a) Advocate for a continuous improvement of transport infrastructures, i.e. railway, roads and ports, for persons and goods.
- (b) Advocate for the development of economical transportation rates and charges for MSMEs.
- (c) Explore tax deduction schemes for remote MSMEs with high transportation costs.
- (d) Facilitate the transportation of bulks by linking up MSMEs and transport operators.

5.2.2 Basic Utilities

The Government acknowledge that the price of utilities, i.e. electricity and water, is becoming a burden for MSMEs, making it difficult for entrepreneurs to start their activities and for established MSMEs to remain competitive against regional and global players.

Recommendations:

- (a) Facilitate the creation of “utilities” clusters so that MSMEs operating in the same perimeter can realise economies of scale.
- (b) Facilitate the transition to green energies through adequate support programmes.
- (c) Support the acquisition of greener technologies.
- (d) Negotiate discount rates and charges for MSMEs.

5.2.3 Information and Communication Technologies

Access to Information and Communication Technologies (ICT) is essential for competitive businesses in a globalised environment. While the national coverage has largely improved in the past years, some areas of the country remain deprived from a reliable and affordable access to ICT.

Recommendations:

- (a) Develop ICT access centres across the country in cooperation with Local and Regional Governments.
- (b) Advocate for the development of packages affordable and adequate to the needs of MSMEs in cooperation with service providers.

5.2.4 Business Premises, Industrial Estates

The lack of affordable business operational and market premises has been identified as one of the constraints facing the development and growth of MSMEs. Hence, the Ministry of Industrialization, Trade and SME Development designed a Site and Premises programme to address these constraints by constructing Industrial Parks and SME Modules. Industrial and MSME parks should be accessible to existing MSMEs, with operational business plans and developed products and services, which need affordable business premises during the first years of their operations.

Recommendations:

- (a) Consult with Local Authorities and the private sector to assess the existing business sites and premises in terms of accessibility, utilisation, etc. and undertake corrective measures where necessary.
- (b) Furnish more business premises in close cooperation with the Local Authorities and the private sector to identify the more suitable business locations.
- (c) Develop industrial parks in the economic centres of the country.
- (d) Revise eligibility criteria for MSME and Industrial parks. Develop and disseminate a standardised application procedure for MSMEs and industrial parks.
- (e) Assess development of MSMEs and industrial parks tenants every two years; advise on possible support where and when necessary or facilitate relocation.

5.3 Promotion of Entrepreneurial Culture

The Government recognise the need to create a more favourable social climate for entrepreneurship, i.e. a climate where people think of becoming an entrepreneur as attractive and where they are encouraged to turn their creativity and ideas into businesses. In such an environment, the stakeholders show interest and are committed to the success of MSMEs. Furthermore, in such an environment the society rewards individual and collective initiatives and innovations coming from all its citizen, including previously disadvantaged groups.

5.3.1 Entrepreneurship training and education

The development of an entrepreneurship culture i.e. attitudes to and knowledge of starting a business, lies in education. It starts at a very young age and needs to be promoted and encouraged at any stage of the formal education and beyond.

Recommendations:

- (a) Promote entrepreneurship through training and support for entrepreneurial ideas through the structures of primary, secondary, tertiary and vocational education (introduction of courses on entrepreneurship, familiarisation with the concept of business, financial literacy, virtual enterprises, case studies, etc.)
- (b) Partner up with research and business promotion institutes and generalise the introduction of an introductory module to entrepreneurship in secondary education institutions.
- (c) Partner up with research and business promotion institutes to facilitate entrepreneurship development programmes or boot-camps for selected target groups, such as young graduates or skilled unemployed professionals.

5.3.2 Women and Youth Entrepreneurial Programmes

Women and Youth are vulnerable segments of the population despite several programmes and policies targeting them. Their empowerment and participation into the economy needs to be strengthened in order to ensure social inclusion and create jobs and growth opportunities.

Recommendations:

- (a) Develop a network of entrepreneurship centres for young people, enabling young people to search for the information needed to set up their own business, innovate and seize opportunities.
- (b) Combat social exclusion – entrepreneurial opportunities should include the socially excluded members of the population (physically or mentally challenged people, immigrants, disadvantaged social groups, etc.).
- (c) Promote female entrepreneurship among MSMEs to maximise the economic contribution of both genders, especially in sectors with strong female participation such as handicrafts and cosmetics.

5.3.3 Raising Public Awareness

The Ministry of Industrialisation, Trade and SME Development recognises the need to raise public awareness on issues of innovation and entrepreneurship in order to create and develop the culture of enterprise in society much needed to support start-ups and existing MSMEs.

Recommendations:

- (a) Develop educational programmes targeting the civil society to sensitise on the importance of entrepreneurship for the economic and social development of the country.
- (b) Communicate programme to convey positive enterprise culture messages through a variety of media channels.

5.4 Financing MSMEs Development

MSMEs are regarded by creditors and investors as high-risk borrowers due to insufficient assets and low capitalization, vulnerability to market fluctuations and high mortality. As a result, few MSMEs can access the funding that may foster their development. MSMEs access to financial services can boost job creation, raise income, reduce vulnerability and increase investments in human capital. It further allows MSMEs to undertake productive investments to expand their businesses and to acquire the latest technologies, thus ensuring their competitiveness and that of the nation as a whole.

Currently, an estimated average of 1,260 MSMEs benefit of the existing funds, compared to an estimated total population of between 15,000 and 33,700 MSMEs in Namibia. Consequently, if those constraints are adequately addressed, more MSMEs in Namibia would be able to get access to funding. Sufficient and timely access to finance for MSMEs stimulates and reinforces the economic growth, job creation, labour productivity and social cohesion which are vital for the prosperity of the country.

Recommendations:

- (a) Improve access to commercial bank finance for MSMEs through awareness raising and capacity building on alternative credit appraisal methodologies, thus introducing advanced lending practices and innovative financial products.
- (b) Strengthen the SME Bank.
- (c) Stimulate the development of financial leasing and factoring for MSMEs by commercial banks and specialist leasing companies.
- (d) Stimulate simplification of administrative procedures of financial institutions in Namibia in order to establish a clear and transparent legal framework, endeavouring to limit the regulatory complexity which is often an obstacle for beneficiaries, especially MSMEs, when applying for funds, for example by creating a one-stop agency for applicants, shortening the authorisation procedures for obtaining finance and paying out subsidies more promptly.
- (e) Explore possibilities to attract a micro-financing institution to the country.
- (f) Promote innovative financial products for MSMEs such as hire purchase scheme, leasing, factoring, inventory financing, venture capital MSMEs and Saving and Credit Guarantee Schemes, this bridging the financial gaps of growing MSMEs.
- (g) Improve availability of information about MSMEs' financial status in order to ensure that all providers and potential providers of finance have sufficient knowledge to assess the risk of MSME applications for finance. Ensure that the control over information on MSME exposures is not utilised by dominant players (and banks in particular) to inhibit competition for the provision of finance to MSMEs, or to inhibit the entry of new providers of finance.
- (h) Educate MSMEs on financial management in cooperation with the Financial Literacy Initiative hosted by the Ministry of Finance.

5.5 Business Development Services

The Ministry of Industrialisation, Trade and SME Development understands that MSME development and MSME upgrading cannot be achieved if the entrepreneurs are not equipped with adequate skills. The Ministry hence recognises the need to capacitate entrepreneurs with managerial and financial skills. The Ministry further recognises the need to organise the market for Business Development Services.

Recommendations:

- (a) Design and disseminate information materials on laws affecting MSMEs, accounting, taxation, finance, foreign trade, corporate governance, debt management.
- (b) Facilitate the provision of tailor-made trainings for MSMEs in cooperation with relevant stakeholders such as the Namibia Chamber of Commerce and Industry (NCCI), the Namibia Business Innovation Institute, and the Vocational Training Centres across the country.
- (c) Link the access to financial support to compulsory trainings on managerial skills to ensure beneficiaries are equipped with the right managerial skills.
- (d) Grant businesses easier access to community support services, programmes and networks and improve the co-ordination of these facilities.
- (e) Strengthen training providers.
- (f) Strengthen advocacy capacities of MSMEs.
- (g) Regulate the market for training providers and business consultants in order to maximise the quality of services provided to MSMEs.
- (h) Develop a network of Business Incubation Centres across the country to accelerate the development of start-up companies. Business Incubation Centres provide an array of business development services and programmes during the first year of development of the start-up, including access to business premises orchestrated by incubator management upon graduation.
- (i) Facilitate mentorship programme, where successful MSMEs can share their experiences with start-ups.

5.6 Innovation, Technology Development and Adaptation

The Ministry of Industrialisation, Trade and SME Development acknowledges that research and development (R&D) and access to modern and efficient technologies are a key factor to ensure the competitiveness of Namibian MSMEs in a globalised world. Therefore, the Ministry aims at developing business incubators and laboratories across the country, allowing MSMEs to design prototypes or providing them with costly equipment. Moreover, the Ministry seeks to create a favourable environment for technology transfer and a climate facilitating an effective incorporation of the imported

technology into the socio-economic environment of Namibia, such as training programmes being made compulsory when new technologies are imported.

Recommendations:

- (a) Stimulate product development and quality improvement, ranging from production to final packaging, focusing on high value markets and niche products.
- (b) Partner up with research institutions and universities across the country to develop Science and Technology Centres, thus providing easier access to technologies and innovation for MSMEs and stimulating the absorption of new technologies.
- (c) Develop fiscal and non-fiscal incentives to promote R&D, such as studies and pilot initiatives, the establishment of a label for most innovative MSMEs.
- (d) Raise awareness on compliance with Intellectual Property Rights (IPR) and its advantages for the development of MSMEs.
- (e) Sensitise MSMEs on the advantages of newest sales technologies such as e-commerce.

5.7 Unlocking Local, Regional and International Market Access

The aim of all MSMEs development programmes is to ensure that Namibian MSMEs are integrated into the local, regional and international economies. Indeed, Government recognise that nurtured and developed MSMEs can contribute to the structural transformation of the Namibian economy through the development of industries and value chains. Developed MSMEs provide the much needed support industries and services for the development of the manufacturing sector. Hence, Government need to ensure that both rural and urban MSMEs are mainstreamed into the economy through inclusive business models and the development of value chains. On the other hand, Namibian MSMEs face foreign competition due to the opening of the local market to foreign players.

Recommendations:

- (a) Support marketing efforts of MSMEs products and services in order to enhance market penetration through better packaging and branding.
- (b) Further develop the brand “Made in Namibia” with the support of Team Namibia to improve the visibility of Namibian products and services.
- (c) Assist MSMEs showcasing their products and services during trade-fairs and exhibitions, both in Namibia and abroad.
- (d) Facilitate export promotion through the development of an export promotion agency, which shall provide market intelligence services to MSMEs and assist MSMEs analysing overseas markets, identifying foreign business opportunities, and complying with unfamiliar foreign business practices and paperwork.
- (e) Continue efforts to disseminate information on trade and investment liberalisation affecting MSMEs opportunities, such as SADC roadmap towards industrialisation.
- (f) Improve the quality of products and services through the introduction of effective quality standards, testing and compliance services. Support MSMEs meet product and quality certifications required for export purposes through the development of laboratories and testing facilities in the country when necessary.
- (g) Support current match-making efforts to link up MSMEs to bigger economic players.
- (h) Explore ways to integrate MSMEs into national, regional and global value chains; include MSMEs in sector growth strategies.
- (i) Explore ways to protect MSMEs from foreign competitors and secure access to shelves for Namibian MSMEs.

5.8 Enhancing State Capabilities to Manage and Support MSMEs

The Government understand the need to enhance internal capacities in terms of MSME support and management in order to create a conducive environment for MSME development.

Recommendations:

- (a) Upgrade the government’s strategic planning capabilities over the MSME sector by ensuring a systematic and structured collection of comprehensive statistics through regular census and surveys.
- (b) Evaluate current MSMEs support programmes offered by the Ministry of Industrialisation, Trade and SME Development.
- (c) Establish a forum for MSMEs.
- (d) Revise institutional framework – see chapter VI.

VI. Chapter 6: Institutional Framework and Coordination

This section highlights the roles and responsibilities of all actors and recommends the creation of a MSME Development Agency.

Coordination rather than fragmentation is one of the key principles of the MSME Policy. MSME development is per se a cross-cutting issue and touches upon many areas: education, infrastructure, finance, good governance, etc. Hence, supporting MSMEs requires the participation and the commitment of a myriad of institutions from all sectors and levels of the society. The dynamics between private and public, local, regional and national MSME support institutions need to be overlooked, as these players offer services to the Namibian MSMEs which may at time complement but also compete with each other. As a result, interventions conducted in isolation and targeting a segment of the MSMEs could have prejudicial impacts on another segment of the MSMEs and thus jeopardise the success of other support programmes. Opportunistic business owners can also make use of loopholes and manipulate available support programmes.

As a result, coordination and transparency are key success factors to maximise positive results of the implementation of the MSME Policy as it avoids duplication of interventions and waste of resources and ensures the needs of all MSMEs are accommodated under one or the other MSME support programme.

The lead body for MSME development remains the Ministry of Industrialisation, Trade and SME Development. The Ministry is responsible for designing the relevant policy frameworks and adequate MSME support programmes. However, the implementation, monitoring and evaluation of the support programmes are delegated to an Agency which remains to be created, namely the Namibian MSME Development Agency.

The mission of the proposed MSME Development Agency is to optimise access to finance and support programmes for MSMEs and maximise the efficiency of funds and support programmes. The Government also recognises that MSMEs continuously need to be engaged and support the development of public-private dialogues platforms. As a consequence, the MSME Development Agency shall:

- (a) Operate as a one-stop shop for MSMEs seeking support. It shall maintain up-to-date a catalogue of all support programmes available in the country and forward applications to the relevant support institutions.
- (b) Pro-actively approach private partners to leverage private sector funds and capabilities for the implementation of new MSMEs development support programmes.
- (c) Monitor and evaluate MSMEs support programmes offered by the Ministry of Industrialisation, Trade and SME Development and any other institution providing support to MSMEs. This

includes institutions emanating from the private sector as well. The MSME Development Agency shall report to the Ministry of Industrialisation, Trade and SME Development, which has the authority to close or re-define a programme if need be.

- (d) Ensure that MSMEs comply with legal requirements, i.e. in terms of registration, and inform MSMEs on their current legal status. None MSMEs shall receive support is they don't comply with the legal requirements.
- (e) Collect data MSMEs in Namibia and undertake regular surveys and census to record newest developments and challenges among MSMEs.
- (f) Engage with MSMEs through Public-Private Dialogues.

The MSMEs Development Agency will incorporate certain functions and operations of relevant departments of the Ministry of Industrialisation, Trade and SME Development and will be headed by a Director. A bill will be approved to create the Agency. In the meantime, the Ministry of Industrialisation, Trade and SME Development will set up committees charged to carry out the tasks incumbent upon the Agency.

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VII. Chapter 7: Implementation, Monitoring and evaluation

7.1 Towards Implementation

The Namibian MSME Policy sets the stage for more efficient MSME development support programmes. A policy implementation framework will be developed within one (1) year after the Policy has been approved. The policy implementation framework will specify specific intervention areas and support programmes, as well as priority sectors. The policy implementation framework is meant to be a very practical document, including the inputs needed to conduct the activities, milestones and responsible institutions for implementation. Moreover, the policy implementation framework will comprise a detailed Monitoring and Evaluation (M&E) system as described below.

7.2 Monitoring and Evaluation

In a constantly changing economic climate, where global changes impact the Namibian business climate, a sound and user-friendly Monitoring and Evaluation system is required to recognise possible deviations and take corrective actions as early as possible. Monitoring and Evaluation will take place at two levels: firstly, all the support programmes and initiatives will be evaluated against their objectives. Secondly, it will be assessed whether or not the above mentioned programmes contribute to the successful implementation of the MSME Policy itself and the achievement of the long term objectives as highlighted in the MSME Policy Implementation Framework.

The M&E system will lay out targets and indicators for all the activities and programmes included in the MSME Policy Implementation Framework as well as overall targets and indicators for the Policy. The M&E system shall also include the milestones paving the way towards achievement.

7.2.1 Indicators

Indicators are signs informing about the progress made towards achieving the objectives laid out in the road map. Indicators should be SMMAART: they should be specific, measurable, easy to monitor, attainable, adequate, relevant and timely. Possible indicators to measure the success of the MSME policy and the foreseen MSME development support programmes could be:

- (a) survival and growth rates of the MSMEs;
- (b) targeted MSME contribution to national GDP;
- (c) attitudes towards and knowledge about entrepreneurship;
- (d) number of MSMEs supported;
- (e) number of jobs created and destructed in MSMEs;
- (f) competitiveness of MSMEs;
- (g) share of MSMEs in exports;
- (h) number of days to register a business, etc.

7.2.2 Targets

A target is the desired measure of an indicator that has to be achieved once the programme supports have been implemented. The targets for the support programmes and the MSME Policy have to be determined by Government, considering the baseline measure, the current resources available and the current constraints, and international best practices.

7.2.3 Milestones

Milestones are sub-targets and indicate the planned progress at different point in times. The Milestones will be set by Government after consultation with the MSME Development Agency and the implementing institutions.

7.2.4 Data Collection, Analysis and Reporting

Periodic and regular data collection is crucial to ensure the relevance of any M&E system. All MSMEs support programmes managers are tasked to gather the requested data and to communicate it to the Ministry of Industrialisation, Trade and SME Development. It will be the responsibility of the Ministry to compile the collected data into quarterly reports. This responsibility will be transferred to the MSME Support Agency once it is fully operational.

7.2.4.1 Data Collection Tools

The Ministry recognises the importance of collecting both qualitative and quantitative data to monitor the effects of the MSMEs support interventions. The Government shall be able, at any point in time, to provide a detailed overview of the situation for MSMEs in the country. To that extend, data such as turnover, number of employees, economic sector of activity, levels etc. will be collected and compiled in dedicated databases.

Data collection tools can be:

- (a) Regular (e.g. every 4 years) business census
- (b) Regular business surveys targeting MSMEs
- (c) Interviews
- (d) Public-Private Dialogues
- (e) Existing data bases of relevant MSMEs supporting programmes

7.2.4.2 Data Analysis

The collected data is to be analysed by the MSME Development Agency. Until the MSME Development Agency is fully operational, the Ministry of Industrialisation, Trade and SME Development in cooperation with the Namibia Statistics Agency will analyse the data.

7.2.4.3 Reporting

The MSME Development Agency is to submit quarterly monitoring reports to the Ministry of Industrialisation, Trade and SME Development. These reports shall include evaluations of the different MSME support programmes, updates on micro and macroeconomic changes that might affect Namibian MSMEs and jeopardise the success of the support programmes, as well as recommendations for the way forward. These reports will be presented to Parliament.

7.3 Policy Review

The MSME Policy is to be reviewed every 5 years by the Ministry of Industrialisation, Trade and SME Development to incorporate new market dynamics and developments.