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Improving Namibia's Competitiveness

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Abstract

The objective of this study is to review the competitiveness of Namibia as done by the World Economic Forum (WEF) and also to undertake a similar survey and compare the outcomes thereof. This latter, makes it easy to determine whether the competitiveness of Namibia as rated by WEF is reflective of the conditions on the ground as well as to find out where Namibia needs to improve in terms of competitiveness. The study also looks at what other countries have done in order to become competitive. The main finding of the study indicates that competitiveness in Namibia is weak and needs improvement. The study proposes specific strategies in terms of the needed interventions to address the identified shortcomings as highlighted in both the WEF and the Bank of Namibia survey. These include among others, developing human resource skills and infrastructure, industrialisation, making finance for starting and expanding businesses available, promoting technological and innovation research to stimulate sustainable and long-term economic growth.

Abbreviations

BOT	-	Botswana
CEO	-	Chief Executive Officer
FDI	-	Foreign Direct Investment
GCI	-	Global Competitiveness Index
GCR	-	Global Competitiveness Report
GDP	-	Gross Domestic Product
ICT	-	Information and Communication Technology
IFC	-	International Finance Corporation
ITIC	-	The Information Technology and Innovation Commission
ITIF	-	The Information Technology and Innovation Foundation
MAU	-	Mauritius
MTI	-	Ministry of Trade and Industry
NAM	-	Namibia
NSI	-	Namibia Standard Institution
OECD	-	Organisation for Economic Co-operation and Development
PAYE	-	Pay-As-You-Earn Tax
SA	-	South Africa
SADC	-	Southern African Development Community
SING	-	Singapore
SKOR	-	South Korea
SME	-	Small and Medium Enterprises
SWIT	-	Switzerland
UAE	-	United Arab Emirates
USA	-	United State of America
VAT	-	Value Added Tax
WEF	-	World Economic Forum

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I. INTRODUCTION

1. Improving competitiveness is crucial for Namibia to become a developed nation by the year 2030. Competitiveness is defined as the ability of a nation to offer products and services that meet the quality standards of the local and world markets at prices that are competitive and provide adequate returns on the resources employed or consumed in producing them. In other words, it can also be explained as the degree to which a country can, under free and fair market conditions, produce goods and services which meet the test of both the domestic and international markets, while simultaneously maintaining and expanding the real incomes of its people over the long term. Competitiveness is determined by the set of institutions, policies, and factors that determine the level of productivity of a country.

2. This study reviews the competitiveness of Namibia based on the GCR by the World Economic Forum (WEF). **During 2011/12, Namibia's competitiveness fell by 9 places to the 83rd position out of 142 countries.** According to WEF, Namibia was at the 74th position during both 2009/10 and 2010/11, out of 133 and 139 countries, respectively. This was an improvement from the 80th position in 2008/09, out of 134 countries, as measured by the Global Competitiveness Index (GCI) in the GCR. However, during 2007, the ranking was less competitive at the position of 89 out of 131 countries. In Africa, Namibia is the 4th competitive country after Tunisia, South Africa and Mauritius. Namibia's competitiveness has been improving since 2007 despite weaknesses in some areas that have been highlighted. Namibia's comparative strengths are based on the quality of the institutional environment and infrastructure development, independent judiciary, efficiency of the legal framework, ethical behaviour of firms, strength of auditing and reporting standards, well protected property rights, and functioning financial markets as well as the protection of the interests of minority shareholders.

3. Namibia was rated among the less competitive countries in other indicators of competitiveness. These include education, increasing infant mortality rate, low life expectancy, labour and goods market efficiency, innovation and technological advancement indicators. According to the GCR, Namibia's performance is categorized under the "efficiency-driven" stage of development, a move up from the "factor-driven" stage. This is a stage of development where a country must begin to develop more efficient production processes and increase product quality. Namibia, however, must still go through a transition phase before entering the final development stage, which is innovation-driven. At that stage of development, a country can sustain a high level of wages and standard of living. This can only be achieved when the businesses in that country can compete with new and unique products, (WEF, 2011).

4. On the other hand, there have been concerns across quarters of the country whether the competitiveness of Namibia as measured by WEF has been measured correctly. Ranking of competitiveness is an important indicator for foreign investors which will affect foreign direct investment (FDI) towards the country. FDI is one of the important catalysts for economic development and any negative perception and ranking can hinder the inflow of FDI. Therefore, it is important that the country understands the areas that are identified as weak by the rankings. This will enable the country to come up with strategies and ways to improve these identified weaknesses as a way of enhancing competitiveness further.

5. As Namibia seeks to be a developed nation by the year 2030, it implies that the economy needs to grow at a higher rate than the current average growth of about 4 percent. For this goal to be achieved, it is expected that economic growth should increase by at least 7 percent every year from 2012, onwards. Therefore, improving competitiveness should be seen as one of the crucial elements for meeting the desired growth rate to achieve the objectives of Vision 2030. It is against this background that a study of this nature is necessary.

6. This study answers the following key questions:

- What does it mean to be a competitive nation?
- How is competitiveness determined in terms of the World Economic Forum?
- Are there existing and perceived issues which promote or hinder competitiveness in Namibia as identified by the Bank of Namibia`s survey?
- How did other countries achieve high competitiveness?
- What should be done to make Namibia obtain a higher competitive ranking?

7. The remainder of the paper is organised as follows: Chapter II presents a conceptual background on the ranking, its compilation and calculations. Chapter III provides a comprehensive review of competitiveness in Namibia. Chapter IV presents existing and perceived issues and views which promote or hinder competitiveness in Namibia from the survey conducted by the Bank of Namibia (BoN). Chapter V contains a review of case studies of countries which have achieved high competitiveness. Chapter VI provides conclusion while chapter VII outlines specific recommendations in terms of the needed interventions to address the identified shortcomings and lessons learned from other countries.

II. THEORETICAL AND CONCEPTUAL BACKGROUND OF COMPETITIVENESS

A. What is competitiveness?

8. Competitiveness can be explained as the ability of a nation, company, or individual to manage its resources in order to attain prosperity. In other words, competitiveness is determined by the set of institutions, policies, and factors that determine the level of productivity of a country. According to *Garelli, (2010*), competitiveness is the most powerful tool available to unleash new levels of prosperity for nations, profit for companies, and success for people. The success of a nation depends on more than managing a few well-established core competencies and some of the important elements that should be tackled are the provision of appropriate education and stability in terms of politics and macroeconomics to support competitiveness in order to achieve sustainable economic development.

9. At a national level, competitiveness is the competitive advantage of any nation and its capacity to entice firms (both local and foreign) to use the country as a platform from which to conduct business. The national competitiveness lies in four facets which determine the competitive strengths and weaknesses of countries and their major sectors. These include the existence of resources (e.g. human resources and research and information infrastructures), the business environment that invests in innovation; a demanding local market; and the presence of supporting industries. In many developing countries, resources may be the only part of the competitiveness where policymakers see an opportunity to raise competitiveness, and thereby improve performance, in the short term. The policy-makers should, however, take action in a concerted manner to improve competitiveness in the overall business environment. For instance, a country`s competitiveness will improve if the government's efficiency improves and it cuts down on bureaucracy as well as providing incentives to attract foreign investors and improvement in the quality of its human resources (*Chew, 2008*).

B. How is competitiveness measured?

10. The measurement of competitiveness is carried out by the WEF and the results are published in the annual Global Competitiveness Report (GCR). The first report was released in 1979. The 2009/2010 report covers 133 major and emerging economies, down from 134 considered in the 2008/2009. However, the latest 2010-2011 report covered 139 countries.

11. The WEF is responsible for assessing the competitiveness of economies of the world using the GCI and the results are presented in the GCR. The index assesses the ability of countries to provide high levels of prosperity to their citizens. This in turn depends on how productively a country uses available resources. The GCI measures the set of institutions, policies, and factors that set the sustainable current and medium-term levels of economic prosperity. There are other similar annual reports done by WEF such as the Africa, Arab, Asia and Pacific Competitiveness report. These reports are extracts of the GCR where countries are grouped according to their regions. Additional regular publications of WEF include: the Global Enabling Trade Report, the Global Gender Gap Report, the Global Information Technology Report, and the Travel & Tourism Competitiveness Report for various regional and country studies.

12. There are also other competitiveness reports that are prepared by other institutions. These include the Ease of Doing Business and the Indices of Economic Freedom done by the World Bank and the Africa Heritage Foundation, respectively. The Ease of Doing business report concentrates on one of the items (doing business) which falls under one of the 12 pillars (goods market efficiency) used to measure competitiveness in the GCR. Namibia was ranked 69th out of 183 countries under the Doing Business Indicator during 2011, down from the 66th position during 2010. This means, it had become more difficult for entrepreneurs to start their businesses in Namibia.

13. Another measure of competitiveness is the Mo Ibrahim Index. However, unlike the GCR, this index measures the delivery of public goods and services to citizens by the Government. It uses the indicators across four main categories such as safety and rule of law, participation of human rights, sustainable economic opportunities and human development as proxies for the quality of the processes and outcomes of governance. The index is regarded as Africa`s leading assessment of governance. It is a tool for citizens, public authorities and partners to assess progress and to stimulate constructive debate on governance. In terms of the criteria for good governance that promote political and economic renaissance, Namibia was rated at number 6 out of 53 African countries, while Mauritius, Seychelles, Botswana, Cape Verde and South Africa are the top five. This rating is relatively in line with the rank of 38 out of 139 countries by the WEF. Both indices are, however, indicating that Namibia is doing relatively well in these categories.

C. Source of data and methodology

14. The methodology employed by the WEF is the Executive Opinion Survey. This is a survey of a representative sample of business leaders in their respective countries. The number of respondents has increased every year and is currently just over 13,500 business leaders in 139 countries (2010). The Global Competitiveness Report's competitiveness ranking is based on the Global Competitiveness Index (GCI) developed for the World Economic Forum and introduced in 2004.

15. The survey is designed to capture a broad range of factors affecting an economy's business climate. The Global Competitiveness Index is based on perceptions of business leaders and hard infrastructure data and is categorised into 12 pillars for competitiveness, which are grouped into basic requirements, efficiency enhancers and innovation as well as sophistication factors. A ranking from 1 to the total number of countries used in the sample is given to each count and to each pillar when rated. The lower the number of the ranking, the better it is in terms of the competitiveness of that country and a specific pillar. For example, a country with a number 1 is the best while the one with the highest number is the worst. However, all the countries and pillars rated with a score below 50 are ranked well in terms of competitiveness. The report also includes comprehensive listings of the main strengths and weaknesses of countries, making it possible to identify key priorities for policy reform. The report also factors in a survey among business leaders, assessing the government's efficiency and transparency.

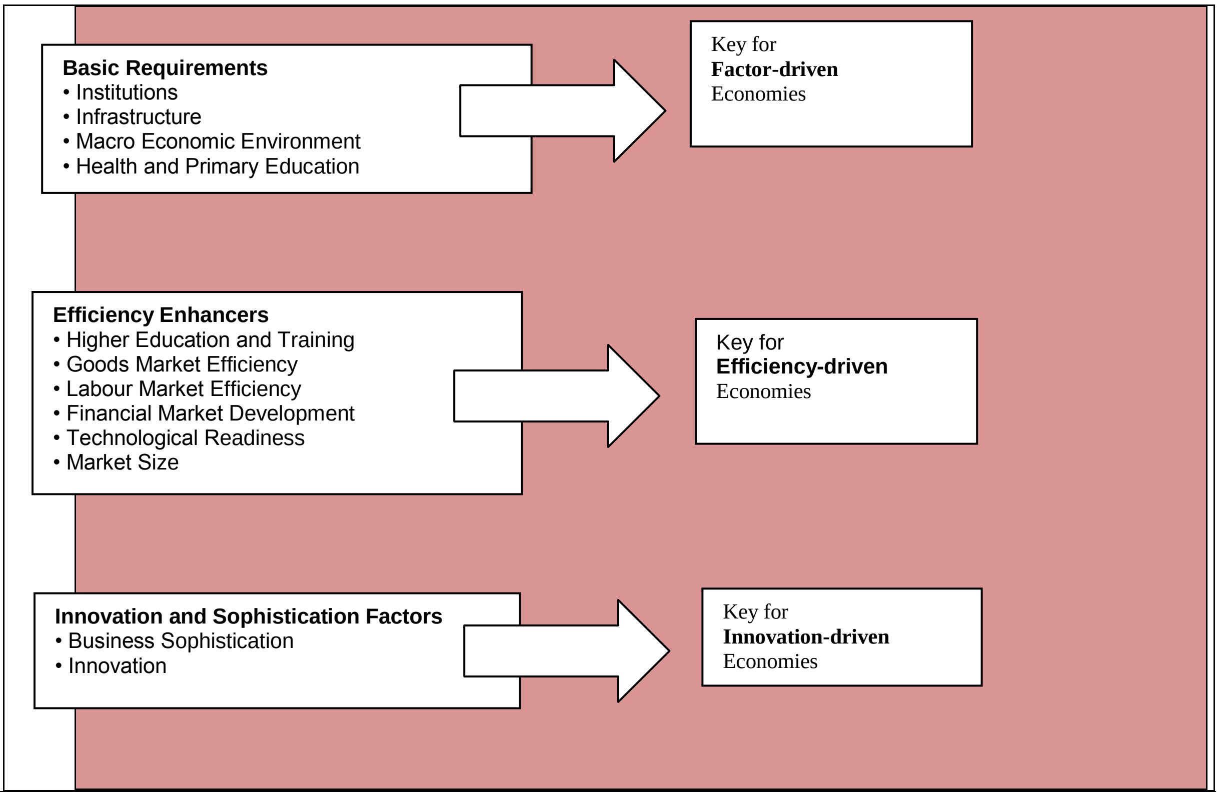
16. The survey is conducted through selected local institutions in each country. In Namibia, the main respondent for WEF survey used to be NEPRU, and after its closure the IPPR. The IPPR sends the questionnaire to a number of respondents. In the case of the Ease of Doing Business Index, about 25 and 18 respondents were interviewed in 2009 and 2010, respectively. These respondents were from the 4 different law and auditing firms in Windhoek as well as one respondent from a fishing company in Walvis Bay.

17. Looking at the narrow scope of coverage by the WEF, one can conclude that the outcome of Namibia may not be representative enough as the source of data is mainly from the Windhoek area.

Box Article: Stages of competitiveness (WEF 2011/12)

There are three broad stages of economic competitiveness, namely factor/resource-driven, efficiency/investment-driven and innovation-driven which are further identified by 12 pillars, classified according to these stages. The pillars in the first stage include institutions, infrastructure, macroeconomic stability, health and primary education. The second stage covers higher education and training, goods market efficiency, labour market efficiency, financial market sophistication, and technological readiness, while the market size, business sophistication and innovation also form part of the stage. However, moving from one stage to another is not automatic and it differs from one country to another. This is because drivers of productivity differ from country to country, (Chart 1).

Chart 1: Stages of competitiveness



Source: WEF 2011

First Stage - Factor or Resource-driven Stage This is the first stage of development and competitiveness, which is also called the factor-driven stage where countries compete based on their factor endowments, primarily unskilled labour and natural resources. At the most basic level of economic development, competitive advantage is determined by resources, such as low-cost labour and access to natural resources. Many developing countries, as well as the least developed countries are in this stage. The export mix is extremely narrow and typically limited to low value-added products. The dependence on international business intermediaries is high, and margins are low and susceptible to swings in prices and terms of trade. Technology is assimilated through imports imitation and foreign direct investment.

In order to improve competitiveness at this stage of development, competitiveness hinges mainly on well-functioning public and private institutions (pillar 1), appropriate infrastructure (pillar 2), a stable macroeconomic framework (pillar 3), and good health and primary education (pillar 4). The institutional environment is determined by the legal and administrative framework within which individuals, firms and governments interact to generate income and wealth in the economy. The quality of institutions has a strong bearing on competitiveness and growth because it influences investment decisions and the organisation of production and plays a key role on how the benefits and costs are shared in the society. For example, there is a need for a law on property rights to serve as an incentive for investors. Some of the key issues which affect good institutional environment include excessive bureaucracy, overregulation, corruption in dealing with public contracts, lack of transparency and trustworthiness, political dependences and lengthy judicial procedures.

Proper management of public finances is vital in order to keep trust in the business environment and to ensure consumer confidence. For example, Australia has a sound and practical structure of financial regulations and institutions that provides certainty for business and is open to investment without undue delay. There must also be a strong, transparent corporate governance system along with business-oriented corporate regulations and insolvency regimes.

The provision of infrastructure is essential for the effective and efficient functioning of the economy. A well developed infrastructure and the access thereto determines the nature of economic activities that can take place in a country as well as reducing the distances between the integrated markets. The essential modes of transport such as roads, rail, airports, ports, enable entrepreneurs to get their goods and services to the market place in a secure and timely manner. The economy will also perform better due to a sufficient and uninterrupted supply of electricity while the level of telecommunications will ensure effective communication.

A stable macroeconomic environment is very important for businesses to thrive. The economy should be able to maintain stable interest rates. The fiscal deficits should always be kept within the international limits while the inflation rates should also be maintained within single digits.

According to the GCR, the state of health and education of the workforce is also very important for the workers to be productive and avoid costs to businesses. At this stage, strategy-makers should design strategies to attract capital investment and to invest the proceeds into the wider determinants of national competitiveness, especially in health service delivery and appropriate education. Efforts to maintain quality education are very important at this stage because the basic education of people enhances the efficiency of individual workers. This will enable the country to have people who can adapt to their changing environment and be able to go beyond simple production processes and products and move up on the value chain. At this stage it is also important to invest in vocational skills and continuously upgrade the skills of the labour force in general through on the job training *(Porter, 1985).*

2. Second Stage – Efficiency/Investment-driven Stage

One level up from the resources driven stage is the next stage of development called the investment-driven stage, where countries begin to develop competitive advantage by improving their efficiencies and developing increasingly sophisticated products. As wages rise with advancing development, countries move into the efficiency-driven stage of development, when they begin to develop more efficient production processes and increase product quality. At this point, competitiveness becomes increasingly driven by higher education and training (pillar 5), efficient markets (pillar 6), and the ability to harness the benefits of existing technologies (pillar 9).

At this level of development, the importance of manufacturing and industrialization through innovation is crucial for competitiveness. The ability to rapidly translate knowledge and insights into new high-value products and services is imperative to addressing many challenges of improving competitiveness facing countries. Leadership in innovation unleashes the productivity and economic growth that underpins the competitiveness of a country. A business environment that fosters national competitiveness pays dividends across the board especially when it promotes exports. One of the ways to improve competitiveness in the country, at whatever stage of development, should be an export strategy that supports innovation and the use of technology (*Porter, 2010).*

Ensure the development and access to adequate infrastructure. In order to have low barriers to trade the economy needs to have adequate infrastructure. Telecommunication facilities should be accessible and affordable and bureaucracy in the administration of business transactions should be at a minimum, among others. For example in Australia, during its micro-economic reform in the early 1990s, a competition policy was a key ingredient and played a positive role in the economy's continuing success, including in key areas such as transport, telecommunications, electricity and gas. Also, the capacity of infrastructure was stretched to the limit due to a long and extensive period of economic growth. To solve this problem, in 2008, the Government of Australia committed to create an organisation called 'Infrastructure Australia' to provide a new national approach to planning, funding and implementing the nation's future infrastructure needs.

Further, a country needs to have goods market efficiency in order to produce and trade the right mix of products and services given the supply and demand condition in the country. For the economy to have goods market efficiency there must be healthy market competition, in both the domestic and foreign markets and customer orientation. The economy must avoid burdensome and high taxes and discriminatory incentives and have clear, consistent rules especially when it comes to Foreign Direct Investment (FDI). Also one should be able to establish a business in the shortest possible time. According to the World Bank, a new business can be established in Australia within two days compared with an OECD average of 20 days. This has contributed to make Australia an increasingly attractive hub for global and regional business operations.

Promotion of the national export strategy can further improve the business environment through revisions of regulatory arrangements (customs, taxation and company law). An export strategy should be formulated to assist the prospective exporting firms to extend their capabilities within the international value chain. As production shifts from commodities towards manufacturing, sector-level strategy should seek to support greater value-addition nationally within the value chain. While the promotion of FDI should, of course, continue to be a strategic priority, strategy-makers should also focus increasingly on encouraging in-country business alliances.

3. Third Stage – Innovation-driven Stage

This is the third and final level of development. As countries move into the innovation-driven stage, they are able to sustain higher wages and the associated standard of living if their businesses compete well with new and unique products. At this stage, companies must compete by producing new and different goods using the most sophisticated production processes (pillar 8), and through innovation (pillar 9), become technologically ready to carry out sophisticated business activities.

At this final stage in the competitiveness process, the country's competitive advantage lies in its ability to innovate and produce products and services at the frontier of global technology. The strategy should focus on technological diffusion and on establishing an increasingly efficient national environment for innovation. The emphasis should be on supporting institutions and extending incentives that reinforce innovation within the business sector. Companies should be encouraged to compete on the basis of unique strategies. The development of service export capacities should be a priority objective**.**

Maintain excellent and improved capacity for innovation. The improvement in the competitiveness ranking of Israel to the sixth position from the 15th, for instance, was due to a high level of innovation. The country's main strength rests not only on highly innovative businesses but also on the availability of high-quality research institutions which is reflected in the high number of patents registered.

The question that remains, however, is how countries stimulate continuous innovation and keep up competitiveness? A country needs dramatic innovation and new technologies to develop new products to continue with economic growth. Even the advanced countries fear slower growth rate, if innovation is not continuous (*Garelli, 2010*).

18. This chapter analyses the three stages of competitiveness, however, the transition through the different stages is not necessarily linear or gradual nor does it happen automatically. Furthermore, no matter at which stage of development a country is, improvement in overall competitiveness will be supported by a sustained improvement in all the pillars of competitiveness.

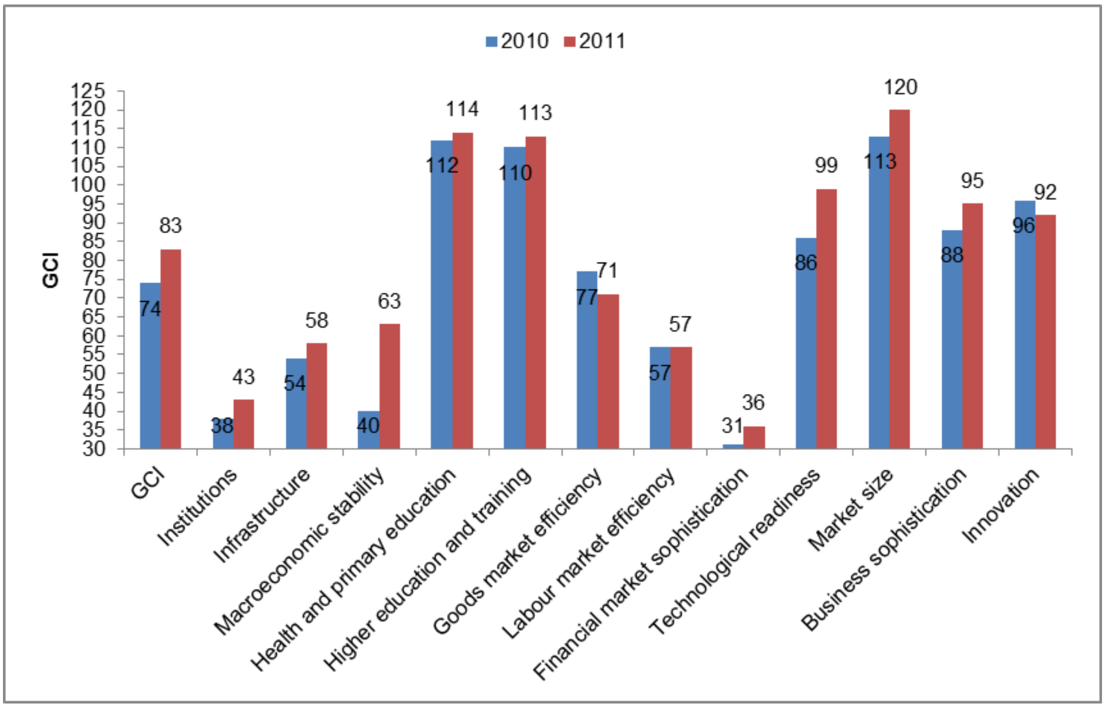
III. REVIEW OF NAMIBIA'S COMPETITIVENESS

A. Namibia's competitiveness according to the GCI

19. Namibia's competitiveness fell by 9 points to the 83rd position out of 142 countries during 2011/12, and from the 74th position recorded in both 2009/10 and 2010/11, out of 133 and 139 countries, respectively. Namibia received good ratings of less than 50 in some of the pillars of competitiveness during the past 5 years. This rating was on account of a solid institutional environment with well-protected property rights, an independent judiciary and strong public trust of politicians. The country's transport infrastructure is also good by international standards and its labour market functions fairly well. Financial markets are well developed by international standards along with a solid confidence in financial institutions. The goods market efficiency pillars improved the most and gained 6 points. This was due to improvement in the process of business registrations, (Chart 2).

20. Despite the good rates in the factors mentioned above, other pillars of competitiveness were not rated positively and received ratings of more than 50 due to the weakening of the macroeconomic environment since last year, caused mainly by a significant government budget deficit in 2010. The country is also ranked low on the health sub-pillar, with high infant mortality and low life expectancy due to the high rate of communicable diseases. On the educational front, enrolment rates remained low and the quality of the education structure remains poor due to the lack of implementation of a good curriculum. Namibia could also do more to harness new technologies to improve its productivity levels.

Chart 2: Changes in the pillars of competitiveness from 2010-2011



Source: World economic Forum 2011/12

B. Assessment of doing business in Namibia according to the Doing Business Report

21. In order to assess the regulatory environment for business in the economy, a good starting point is to look at the ease of doing business indicators. These indicators measure and benchmark regulations applying to small to medium-size domestic businesses, through their life cycles. Countries' economies are ranked from 1 to 183 by the Ease of Doing Business Index. For each economy the index is calculated based on the simple average of its percentile rankings on each of the 10 topics included in the index in *Doing Business 2012*: starting a business, dealing with construction permits, getting electricity, registering a property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. However, the ranking on the ease of doing business, and the underlying indicators, do not measure all aspects of the business environment that matter to firms and investors or that affect the competitiveness of the economy. The details of the ranking of the Namibian economy are shown for 2011 and 2012 in table 1. Comparison of the economy's indicators today with those in the previous year may show where substantial bottlenecks persist and where they are diminishing.

Table1: Ease of doing business 2011/12

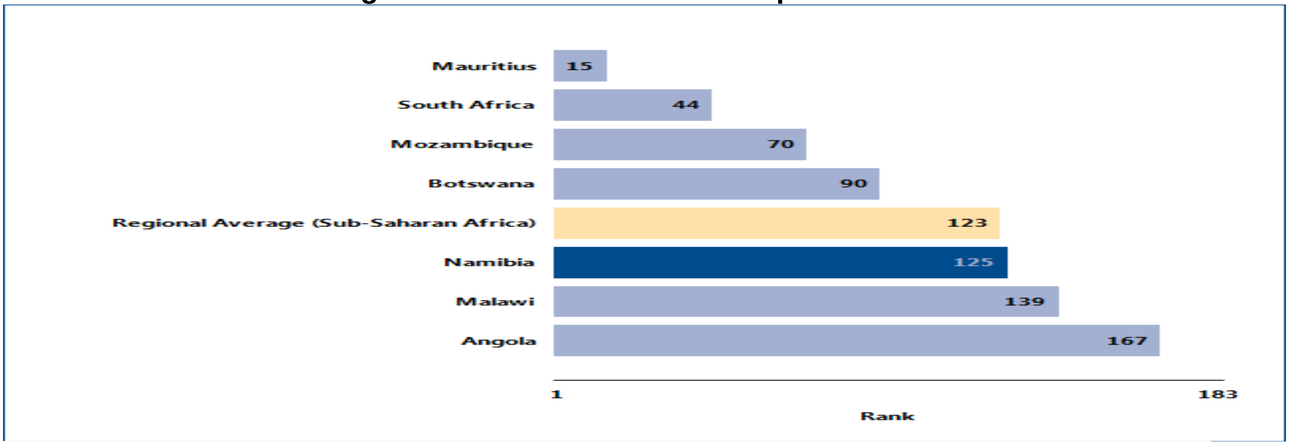
Rankings	**DB 2012 Rank**	**DB 2011 Rank**	**Change in Rank**
Starting a Business	125	126	↑**1**
Dealing with Construction Permits	52	52	No change
Getting Electricity	105	106	↑**1**
Registering Property	145	127	↓**-18**
Getting Credit	24	21	↓**-3**
Protecting Investors	79	74	↓**-5**
Paying Taxes	102	100	↓**-2**
Trading Across Borders	142	142	No change
Enforcing Contracts	40	41	↑**1**
Resolving Insolvency	56	54	↓**-2**

Source: Doing Business 2012

22. From the table above, it was noted that the rating on starting a business continues to be unfavourable due to the number of procedures, and the time and cost involved, as illustrated in the appendix (C).

23. Given the above indicators, it is also good to assess these doing of business indicators in comparison with the indicators of comparative economies in the region. This may reveal bottlenecks reflected in large numbers of procedures, long delays or high costs between different countries who are competing for investments. They may also reveal unexpected strengths in an area of business regulation—such as a regulatory process that can be completed with a small number of procedures in a few days and at a low cost. Chart 3 clearly shows that Namibia fell behind Mauritius, Botswana, Mozambique and South Africa in terms of doing business.

Chart 3: The Ease of Doing Business in Namibia in comparison with other countries



Source: Doing Business 2012

IV. NAMIBIA'S COMPETITIVENESS: SURVEY RESULTS

24. The objective of the survey was to find out the level of competitiveness in Namibia in comparison with the outcome of the WEF survey on the same issue. Although, both surveys were conducted mainly in Windhoek, different respondents were covered for the two surveys, respectively. However, the outcomes of the two surveys close to each other. This chapter presents the methodology and outcome of the survey that was conducted to assess competitiveness in Namibia.

A. Methodology

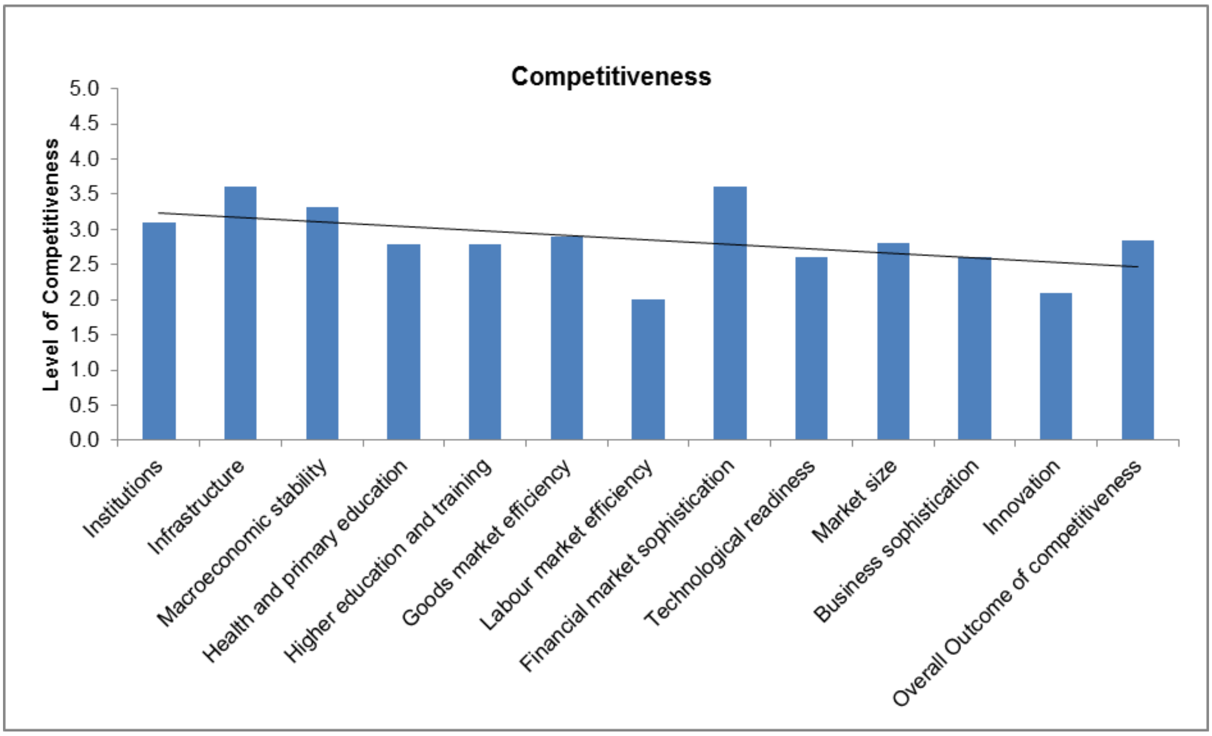
25. About 200 questionnaires were sent out to a sample that was selected to represent businesses in Namibia from the Trade Directory of 2011 and selected SMEs in Windhoek. Out of 200 prospects only 50 responses were obtained which represents about 25 percent. About 95 percent of the responses and consultations held were from Windhoek and therefore the outcome reflects more on the situation in Windhoek and not on other parts of Namibia.

26. The questionnaire was designed using the questions pertaining to the 12 pillars used by the GCI. A rating from 1 to 5 was used. All the outcomes of each questionnaire from each respondent were entered and a simple average was calculated for each pillar. However, the WEF uses a rating from 1 to 7 and uses the weighted average. A score of 1 indicates that the situation was bad, 3 was average and 5, the best. The outcome of the survey showed that the most problematic factors impeding competitiveness in Namibia, include lack of access to financing, low level of skills coupled with the mismatch of skills, high tax rates, high level of corruption, government bureaucracy and the number of procedures that have to be followed if one wants to set up a business, high rental fees for business premises and poor work ethics. These findings are discussed further in the next section.

B. Key findings from the survey

27. The overall rating for competitiveness across all the 12 pillars of competitiveness was at 2.9, just below average, (see Chart 4). The level of financial market sophistication received the highest score followed by infrastructure development while those of labour efficiency, level of skills and innovation received the lowest scores. This means, according to the outcome of this survey, Namibia's competitiveness is below average and appropriate steps need to be undertaken in order to address the situation. The outcome is also in line with the results of the GCI where Namibia is number 83 out of 142 countries, despite that the survey was done on different types of respondents. This section will present the responses obtained from the respondents.

Chart 4: Competitiveness



28. Lack of Access to Finance: This item falls under the pillar called Goods Market Efficiency. All the interviews with respondents of SMEs, with a turnover of not more than N$250,000 and employment of less than 20 employees, that were conducted alluded to the fact that they have never borrowed from the commercial banks to start or to expand their businesses. This is because they cannot provide collateral. SMEs who approached the banks also complained that the application processes are complicated. The implication is that SMEs are not able to buy equipment to expand their businesses to produce more goods and services and to employ more people. The only source for expansion is accumulated profit and contributions from families and friends. However, despite this complaint, the Development Bank of Namibia and some commercial banks have facilities to make finance available to SMEs.

29. Government and Public Institutions: According to views from some respondents, there is a high level of corruption in public owned enterprises. Respondents are of the view that some of the heads of those parastatals are appointed on a political basis and not according to their qualifications, skills and competencies. As such, the performance of those companies does not meet the expectations of the citizens. However, according to the Public Service Commission, the heads of parastatals are appointed on the basis of their qualifications and competencies. In addition, the results showed lack of transparency of the public tender system, plus, the procedures involved in applying and getting a tender are cumbersome. It also appears that when it comes to the awarding of tenders, only big companies benefit while SMEs do not. It is understood that the tender process is being reviewed and it might solve these problems. However, one of the reasons why the SMEs do not qualify to get some tenders is due to their inability to supply the required quantities. Funding is, therefore, required to expand production capacity.

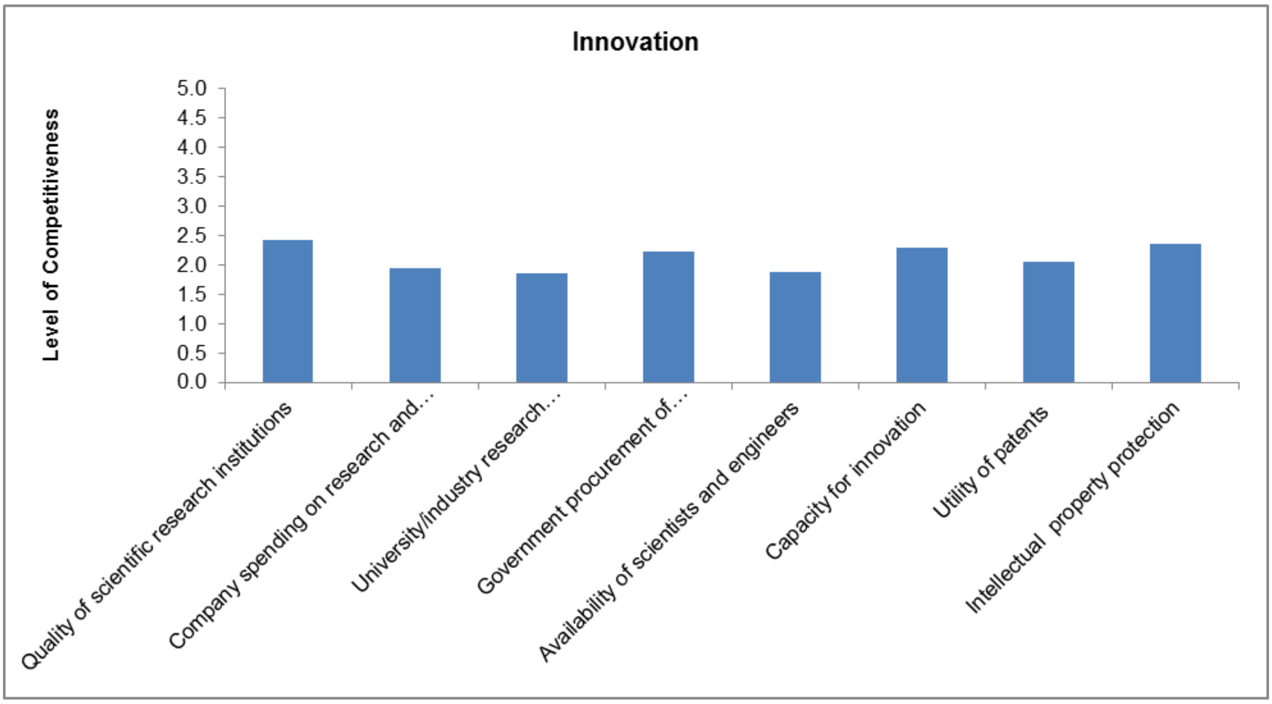
30. Infrastructure Development: Namibia is a growing country and will soon be a transport hub for the Southern African region, which cannot be ignored. Namibia as a country is strategically located on the West Coast of Southern Africa and ideally placed to serve the SADC region and specifically the landlocked countries. The country's transport network comprises ports, roads, railways and civil aviation. An integrated multimodal transport system is also essential to reduce transport costs and foster trade and other business activities. Namibia has been growing considerably as a transit country during the past four years due to the efficient and effective port of Walvis Bay, coupled with the improvement in the economies of the SADC countries such as Angola, Botswana, Democratic Republic of the Congo, Zimbabwe and Zambia, which has also resulted in an increase of handling of transit goods via Namibia.

31. Survey respondents were satisfied with water and electricity infrastructure and their supply. Respondents, however, complained about high tariffs of electricity which increase the cost of their inputs.

32. Limited Market Infrastructure and Marketing. Premises leased by municipalities to SMEs for example have limited space for their operations. Further, the market places are not well marked and therefore customers are not aware of what is being produced and marketed in those places.

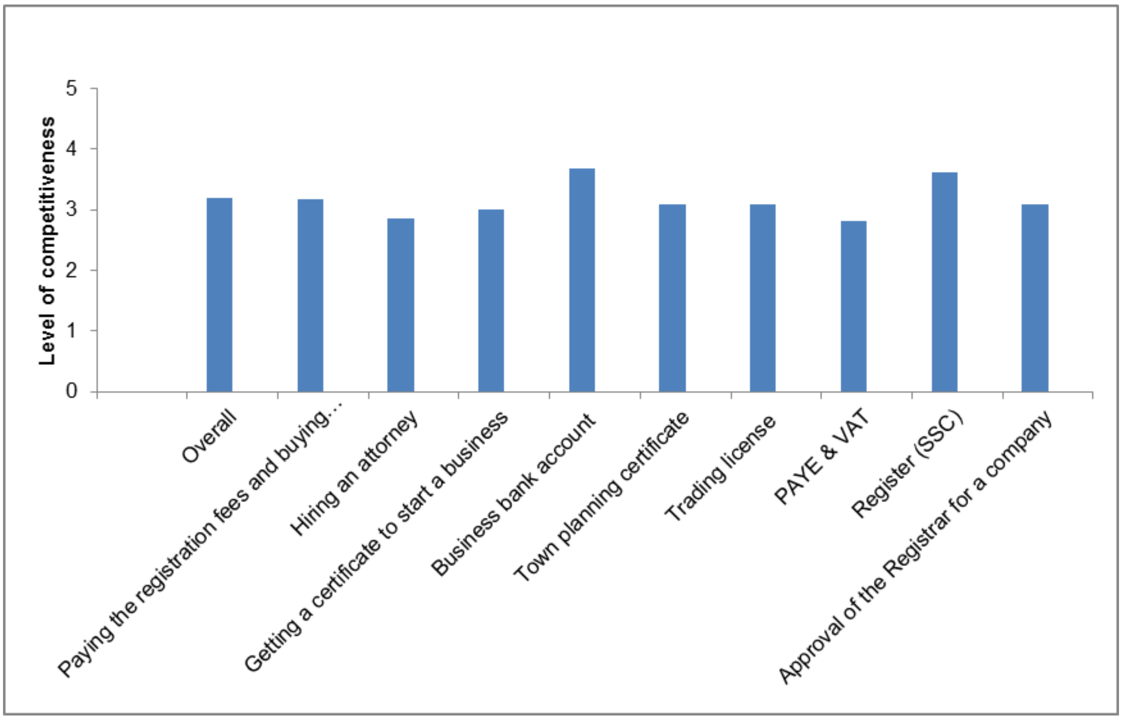
33. Innovation and Technology: From the interviews conducted, it was identified that the level of innovation is very low in Namibia with an average outcome of 2, which is far below the average (see Chart 5). Some of the reasons given for the low level of innovation are that most of the goods are imported for resale. The locally manufactured goods are few and most of them are apparently of poor quality. The recently established National Standard Institute (NSI) should address this concern. Some business people who want to come up with innovative products and services, say they are often faced with lack of financial support to carry out those activities. Some of the raw materials and inputs are also not available on the local market. Lack of innovation is also reflected in the low level of patents registered in the country. All the people interviewed, who are manufacturing their own products, indicated that their ideas and products are not protected from being copied by others. The reasons for this include the low quality of research institutions and a clear shortage of scientists and engineers to come up with new products. However, according to the Ministry of Trade and Industry (MTI), there are patents and trade marks recorded since 1924 which are not less than 70 000. It was, however, indicated that the process of registering the patents and trade marks requires not less than 3 months to complete, due to the legal procedures and public approval involved.

Chart 5: Innovation



34. Difficulty in Starting a Business in Namibia: It was noted that it is becoming more difficult to do business in Namibia. The procedures involved in setting up a business, do not only delay the process of starting a business, but might also discourage the potential investors from investing in the Namibian economy. Serious steps, therefore, need to be taken to improve the weak indicators of doing business in Namibia in order to encourage entrepreneurship and investment and thereby creating employment and contributing to economic growth as indicated earlier in table 1, (Chart 6).

Chart 6: Goods Market Efficiency – Procedures required to start a business

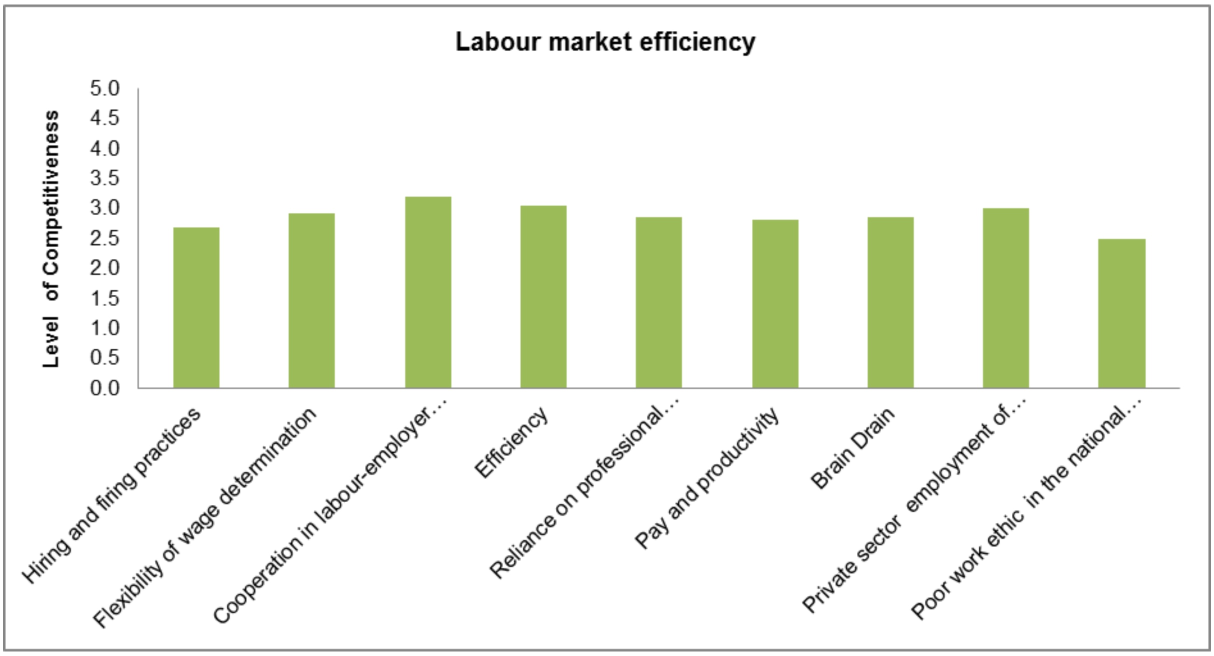


35. Small Domestic Market: All the business owners that were contacted confirmed that the domestic market is not big enough for the local businesses to supply their goods and services. Namibians also have an attitude of preferring to buy foreign made goods instead of the locally manufactured goods despite the fact that some of the locally produced goods are of higher quality than the imported goods. There is, however, stronger competition from the South African and Chinese retailers. Although it is good to have competition for better prices, the competition between local and Chinese businesses is a threat to the growth of local businesses. This has led to the SMEs in this sector being unprofitable due to unfair competition. According to the business owners who were interviewed, MTI has been promoting products at international trade fairs. Getting selected, however, to go to those fairs is not transparent.

36. Labour Issues and Regulations: The general competitiveness of labour issues and regulations received a rate of 2.9, just below average (Chart 7). The Labour Act of 2008 was regarded as very strict and needs to be reviewed. It does not make it easy for people to be replaced while workers who are not performing become an extra cost burden to businesses. There are also too many public holidays that affect the productivity of businesses. There is a huge lack of skilled labour and this has become a big obstacle to the growth of businesses. The skill levels were rated very low by most businesses. Graduates from Grade 12 and even those from the tertiary institutions do not possess the required competence to carry out their functions without being supervised or being given extra training. Businesses have to put in further efforts to train the graduates in order to be able to deliver the required output. In addition, the process of obtaining work permits for foreign nationals is very tedious and takes more than 6 months.

37. Labour productivity is generally low. A number of businesses agree that the productivity of their businesses is also affected by the HIV pandemic. Productivity is affected because people often take sick leave. Another problematic issue is work ethics, which generally affect productivity and cause some delays in the delivery of expected orders.

Chart 7: Labour Market Efficiency



38. It can be concluded that the outcome of the survey showed that there are bottlenecks in the economy that hinder competitiveness. These include among others, lack of access to finance for business start ups and expansions, lack of skilled workers, mismatch of skills, lack of innovation and technology advancement, lack of industrialisation policy, inefficient labour and market regulations with more emphasis on the difficulty of doing business. To this effect, the competitiveness of Namibia leaves a lot to be desired as has been confirmed by the outcome of this survey. However, similar to the WEF survey, the survey done by the Bank of Namibia was also not representative enough because about 95 percent of the respondents were from Windhoek. The picture of competitiveness might look different, if representatives from all major towns in Namibia were included.

V. HOW DID OTHER COUNTRIES PERFORM ON THEIR COMPETITIVENESS AND WHY?

A. Overview of Highly Competitive Countries in the World

39. Some highly competitive countries were selected to see how they performed in terms of their competitiveness. Their selection was based on their high competitiveness and fast improvement thereof. They also improved on areas of competitiveness which are similar to the challenges that Namibia faces and where improvement is highly needed. Therefore, it is assumed that Namibia would learn a lot from these countries on how to improve competitiveness.

40. Of the countries which have reached high competitiveness, Switzerland topped the overall rankings in the GCR of 2010-2011 out of 139 economies around the world followed by Sweden in second place and Singapore in third place. Switzerland remains the world's most competitive economy, thanks to its high capacity for innovation and sophisticated business culture.

41. China is also one of the most competitive countries among the emerging economies. China continues to show great strength, not in terms of the size of the economy but in terms of the quality of the economy. China climbed up the rankings due to its large market size, strong macro-economic management and improved financial markets. China is moving up the value chain of global competitiveness and, in addition, the country has made great progress in business sophistication and innovation, (*Greenhill, 2010*).

42. On the other hand, according to WEF, 2010, America slipped in the ranking due to a build-up in the US macroeconomic imbalances, a weakening of the country's public and private institutions and concerns about the state of its financial markets, despite having been more competitive in the past. A lack of macroeconomic stability continued to be America's greatest area of weakness, with repeated fiscal deficits leading to burgeoning public indebtedness. Further, the US business leaders show less trust in politicians and the government's ability to maintain an arm's-length relationship with the private sector (*Blanke, 2010*).

B. Specific Case Studies

43. Specific case studies were also done for Mauritius, South Korea and Sweden. The purpose of looking at these countries is to identify best practices and to learn from them. The table below shows key economic indicators of these countries.

Table 2: Key Economic Indicators, 2010

	Real GDP (US$ billion)	Real GDP growth	Population	Population growth	Real Per capita growth	Inflation	GCI
Sweden	381.51	5.32	9,074,055	0.16	5.15	1.06	2
South Korea	1014.29	6.13	48,636,068	0.26	5.85	2.83	22
Mauritius	7.20	3.57	1,294,104	0.77	2.79	2.4	54

Source: ERS/USDA – Macroeconomic Data Set

C. The Case of Mauritius.

44. Mauritius is among the top three African performers and performed competitively in 7 out of the 12 pillars used in the calculation of the GCI, namely: infrastructure, health and primary education, higher education and training, goods market efficiency, financial market sophistication, technological readiness and business sophistication. The country also ranked among the top ten on the African continent in the institutions, labour market efficiency and innovation pillars but had rather poor ratings in respect of the macro economy and market size pillars. Since independence in 1968, Mauritius has developed from a low-income, agriculturally based economy to a middle-income diversified economy with growing industrial, financial, and tourist sectors. Other competitive features include, among others, the following:

- **Economic Resiliency**: Mauritius is one of the very few countries worldwide to boast positive GDP growth throughout the global economic downturn. This continues a growth trend of GDP by about 3 percent per year, thanks to the progressive business and investment policies.
- **Mauritius also offers sophisticated Freeport logistics like in Singapore.** The port offers a conducive storage capacity and the warehouse is adjacent to container terminals. Packaging and co-packaging facilities are also available. They have competitive port handling charges and offer unique free port facilities to traders in the region.
- **Technological Development.** Mauritius is up to date with new technology and there is massive investment in ICT.

- **Despite a poor global economy, Mauritius continues to attract both capital investors and businesses to its shores, reaping the benefits of radical policy changes.** Moves to introduce a range of investor and business benefits, including low corporation taxes of 15 percent, an attractive 15 percent personal income tax rate and a bonus of no capital gains tax, have fuelled Mauritius' success as an emerging market over the past few years. Mauritius is also fast becoming a major centre for offshore banking. Furthermore, it has a strong financial services sector which facilitates the growth of off-shore companies with more than 400 financial institutions, boosting investor confidence. Also, there are no foreign exchange restrictions. Shopping malls and restaurants to state-of-the-art medical centers and private schools are being developed across the island.
- **Easiest place to do business in Africa:** The World Bank Doing Business 2009 rankings placed Mauritius to No. 1 spot in Africa and second only to Singapore among small island developing states. Mauritius was rated Africa's top regional reformer in a report that recognizes governments which have carried out the most business reforms over the last five years. The World Bank report moves Mauritius up to 24th out of 181 countries measured on investment climate and the ease of doing business.
- **Foreign ownership opportunities**: Non-residents of Mauritius can buy and own full title to property in Mauritius in approved developments under the Integrated Resorts Scheme (IRS). Still in its infancy, the programme has already seen exceptional growth, with investors enjoying appreciations of 40-50 percent on IRS properties. The IRS programme offers several benefits, including no capital gains or inheritance taxes and a low 15 percent income tax rate. Investors also receive a bonus of automatic residence for themselves and their immediate dependents.

D. The Case of South Korea

45. South Korea made big strides in cutting red tape, (*Doing Business 2010*). South Korean companies such as Hyundai, Samsung, Daewoo, and Gold Star (now LG) became competitive in areas where western and Japanese companies were previously dominant. Initially, they exploited their cost advantages stemming from low wages and low land values and increased marketing.

- **The process began in commodity industries like steel.** Korean companies started exporting commodity products, gradually breaking into products with higher and higher value addition, so they went from steel to machine parts to complex assemblies to complete machines, including automobiles and cargo vessels. For example, Gold Star built appliances for Sears that were sold in the U.S. under Sears brand, Kia (now part of Hyundai) assembled Fiestas which Ford sold in the U.S., and Hyundai manufactured complete power plants for Chrysler.

- **The South Korean government also placed a critical restriction on foreign companies, and at the same time, the government reduced the huge tax rate for domestic companies for them to be able to invest more funds on technology development.** Korean companies have a lot of competitive products in the world. South Korean people are generally very proud of their country. The Government also encourages people to buy domestic products. The Korean Government has supported the major Korean enterprises such as SAMSUNG, HYUNDAI, KIA, DAEWOO, and POSCO, SK, LG etc. to increase industrialization and supply their export markets.

E. The Case of Sweden

46. Sweden benefits from the world's most transparent and efficient public institutions, with very low levels of corruption and undue influence and a government that is considered to be one of the most efficient in the world. Private institutions also receive excellent marks, with firms that demonstrate the utmost ethical behaviour (ranked 1st), strong auditing and reporting standards, and well-functioning corporate boards. Goods and financial markets are also very efficient. Combined with a strong focus on education over the years (ranked 2nd for higher education and training) and the world's strongest technological adoption (ranked 1st in the technological readiness pillar), Sweden has developed a very sophisticated business culture and is one of the world's leading innovators at the fifth position, (WEF, 2010).

- **Sweden improved the most in the ease of doing business, rising from 18 to 14 in the rankings.** The country has strengthened investor protections and the laws are made easier to start a business. It reduced the minimum capital requirement for business start-up, streamlined property registration and strengthened investor protections by increasing requirements for corporate disclosure and regulating the approval of transactions. When starting a business in Sweden, the minimum capital requirement for limited liability companies was cut by half, making it easier to start a business.
- **When it comes to the registration of properties, Sweden made registering property easier by eliminating the requirement to obtain a pre-emption waiver from the municipality.** Investors are well protected. Sweden strengthened investor

protection by requiring greater corporate disclosure and regulating the approval of transactions.

- **These characteristics make Sweden one of the most productive and competitive economies in the world.**

47. This chapter highlights what countries like Sweden, South Korea and Mauritius did in order to become competitive. Some of the lessons learned include the streamlining of the processes required to start a business, access to finance for businesses made easier, reviewed tax and labour legislation and encouraging the consumption of the products made in the country. Generally, any improvement in the overall competitiveness will benefit businesses in Namibia in terms of economic growth and employment creation as well as through increases in the growth of per capita income.

VI. CONCLUSION

48. This paper concluded that there are deficiencies in the economy that hinder the improvement in competitiveness as prescribed by the GCI. Some of the causes of low competiveness are lack of access to finance for business start ups, lack of skilled workers, mismatch of skills, lack of innovation and technology advancement, lack of industrialisation policy, inefficient labour and market regulations with more emphasis on the difficulty of doing business. It was observed that it is becoming more difficult to do business in Namibia. The procedures involved in starting a business, do not only delay the process of starting a business, they might also discourage the potential investors from investing in the Namibian economy. The findings of the survey are in line with the Bank GCR.

49. Therefore, serious steps need to be undertaken to improve upon the weak indicators of doing business in Namibia in order to encourage entrepreneurship and investment and thereby creating employment and contributing to economic growth. The study proposed specific strategies in terms of the needed interventions to address the identified shortcomings including, among others, developing human resources and infrastructure, industrialisation, making finance for starting and expanding businesses available, promoting technological and innovation research coupled with a demanding local and international market to stimulate sustainable and long-term economic growth. The reforms of doing business done in China, Korea, Sweden, Mauritius, Singapore, etc. could be good examples to follow. These proposed strategies, if implemented, are expected to contribute to making Namibia a highly competitive nation in Africa and the world at large.

VII. RECOMMENDATIONS

50. Through this study, it became evident that national prosperity is created and not inherited and this can be done by improving and sustaining competitiveness in all the pillars of competitiveness. The lesson for the strategy-makers is that in a world of increasingly liberalized trade, strategies must concentrate on generating and maintaining a competitive advantage. To this effect, policies, institutions and programmes must be focused on increasing the competitiveness. Henceforth, the following recommendations are made in order to improve the competitiveness of Namibia.

A. Business Support and Access to Finance

51. Improve access to finance and business support: The SME sector needs to be developed and supported because it has a potential of generating jobs and income.

MTI with all the other stakeholders responsible for improving the financial sector strategy must expedite the revision of the policy and programmes on SME development to effectively address constraints impeding SMEs` development, including, among others: access to affordable finance coupled with the establishment of the SME Bank, appropriate and productive technology; managerial and financial skills.

B. Streamline the Process of Starting a Business – One-Stop Shop.

52. MTI should establish a 'one-stop service centre' to help local and foreign entrepreneurs wanting to start a new business. The primary objective of the one-stop shop is to develop a networking system that connects together all relevant agencies including the municipalities, the Revenue Department, lawyers, the Social Security Office, etc. The network will allow the state agencies to share the information necessary for starting a business – such as registration and business accounts for employers. Namibia should explore the feasibility of consolidating documents that are needed to register a business and all the activities involved should be done in the one-stop shop. MTI should also computerize the registration process to make it easy and faster and also facilitate the search for relevant information concerning a particular business. Also, people who wish to establish a juristic body or a proprietorship can go through the registration process all at once by completing one form.

C. Boost Technology and Innovation in the Nation.

53. MTI and the Ministry of Education should promote technology diffusion and innovation through a national partnership involving complementary actions by the government and the private sector. Create incentives such as being open to importing high-skilled immigrants, protection of patents, and supporting the kinds of institutions which are critical to innovation and ensuring that regulations and other related government policies support the move, which should be available for companies to become innovative in Namibia. Encourage research and collaboration between institutions, liaising with higher learning institutions like the University of Namibia and Polytechnic to identify key areas that require research to be done and be able to share the new information to improve the performance of the industries. The Ministry of Finance should also allocate more funds to the current research and innovation institutions to enable them to conduct more research and develop new products as well as for them to be able to coordinate and administer the innovative ideas of the whole country.

D. Industrialize to Improve Export Performance

54. Improve the support of value addition and protection in the industries. MTI should promote public/private partnership in manufacturing and value addition of local materials. The Namibian Government should take advantage of its natural resource endowment to attract investment in industries oriented towards processing and value addition of resources in mariculture and aquaculture industries, etc. with the support of the Namibian Standards Institution (NSI). With the support of TEAM Namibia, the Namibians should also be willing to buy the tested Namibian produced goods in order to encourage manufacturing and innovation. These industries need to get manufacturing status, and funds should be provided as an incentive for value addition. Therefore, MTI should speed up the process of finalizing the industrial policy and ensuring fair trade practices in the local market as well as on a regional and international level.

E. Education, Skills Development and Training

55. Improve the level of education and skills development in line with the Education and Training Sector Improvement Programme (ETSIP). Given the importance of skills in the different sectors of the economy, there is a need to focus more attention on skills formation to support industries. In other words, skills development should be accorded a high priority. The tertiary and technical education must be of the highest standard and graduates should acquire skills that are needed in the market. Improving and expanding on technical and vocational training, could be part of the solution. Another important element is work ethics, culture etc. which can only be established from pre-primary school level onwards. These principles must be incorporated in the curricula of all subjects. There is a need to promote training to upgrade skills of the local workforce to global standards through the provision of incentives to industries who train and develop their employees. Namibia must encourage and attract skills which are rare in the economy

F. Infrastructure Development

56. Improve the availability of quality and efficient infrastructure to boost economic growth and employment creation in support of the implementation of the Targeted Intervention Programme for Employment and Economic Growth (TIPEEG). Namibia should develop an integrated transport system where all the transport services and routes can easily be connected and integrated. Also, there is a special need to focus on the development of the railway system in order to have links with all other modes of transport. The rail is also vital in order to absorb the expected volumes of cargo through the ports which are planned for expansion, as well as to transport goods to the landlocked countries such as Zambia, Botswana and Zimbabwe who have dry ports in Namibia. It is therefore, recommended that the railways should be connected to all the neighbouring countries such as Angola, South Africa, Botswana and Zambia. This responsibility should be prioritised by the Ministry of Works and Industry together with TransNamib.

G. Review Labour and Public Holiday Laws

57. Amend or review the current labour and public holiday acts. The labour law should be flexible in terms of working hours especially when it comes to the service industries excluding bar/liquor related operations. Working hours should be liberalized to make provision for customers' demands. The Labour Act should be reviewed to maintain a balance between the rights of both employers and employees. The public holiday act also needs to be revisited, because too many holidays affect labour productivity.

58. It is expected that, if these recommendations are implemented, they will assist Namibia to improve its competitiveness which will result in a high rating for Namibia in the GCI used by the WEF. A follow up study needs to be undertaken in order to find the comparative advantages of Namibia by identifying existing and new products that can be produced in Namibia for both the local and international markets.

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IX. Appendix

A. Questionnaire

Bank of Namibia

1. What is your job title/main area of responsibility?

....

2. In which industry is your organization?

....

3. In which city is the headquarters of your organization located?

....

4. Approximately how many employees does your organization have worldwide?

....

5. In terms of competitiveness, how would you rank the pillars in the table below? (*The excellent one should be ranked 5)*

Ratings	1	2	3	4	5	Suggest improvements
Sub Index A: Basic Requirements						
1st pillar: Institutions						
2nd pillar: Infrastructure						
3rd pillar: Macroeconomic Stability						
4th pillar: Health and Primary Education						
Sub Index B: Efficiency Enhancers						
5th pillar: Higher Education and Training						
6th pillar: Goods Market Efficiency						
1. Efficiency of legal framework						
2. Extent and effect of taxation						
3. Intensity of local competition						
4. Extent of market dominance						

5. Effectiveness of antimonopoly policy						
6. Burden of customs procedure						
7. Degree of customer orientation						
8. Protection of both local and foreign investors						
9. Number of procedures and time required to start a business						
Paying the registration fees and buying revenue stamps at the Receiver of Revenue.						
Hiring an attorney to register the company with the Registrar of Companies at the Ministry of Trade and Industry						
Getting a certificate to start a business						
Business bank account						
Town planning certificate						
Obtaining a trading licence						
Register for pay-as-you-earn tax (PAYE), as well as value-added tax (VAT) at the Receiver.						
Registration at the Social Security Commission						
Obtain the approval of the Registrar for a company						
7th pillar: Labour Market Efficiency						
Hiring and firing practices						
Flexibility of wage determination						
Cooperation in labour-employer relations						
Efficiency						
Reliance on professional management						

Pay and productivity						
Brain Drain						
Private sector employment of women						
Poor work ethics in the national labour force						
8th pillar: Financial Market Sophistication						
9th pillar: Technological Readiness						
Firm-level technology absorption						
Laws relating to FDI and technology transfer						
Cellular telephones (usage)						
Internet users (number)						
Broadband Internet subscriptions (number)						
Internet bandwidth						
Personal computers (usage)						
10th pillar: Market Size						
Domestic market size						
Foreign market size						
Sub Index C: Innovation and Sophistication Factors						
11th pillar: Business Sophistication						
Local supplier quantity						
Local supplier quality						
State of cluster development						
Nature of competitive advantage						
Value of chain breadth						
Control of international distribution						
Production process sophistication						
Extent of marketing						
Willingness to delegate authority						
12th pillar: Innovation						
Quality of scientific research institutions						

Company spending on research and development						
University/industry research collaboration						
Government procurement of advanced technology products						
Availability of scientists and engineers						
Capacity for innovation						
Utility of patents						
Intellectual property protection						

6. Do you have any other suggestions on how to improve the competitiveness in the above pillars?

……
……
……
……

Please send back your return to Bank of Namibia, Research Department by the 8th of April 2011.

Attention: Mirjam Iyambo/Rehabeam Shilimela

Tel: 061 2835140/2835136

Fax: 061 – 283 5151

Email: **Mirjam.Iyambo@bon.com.na**, **Rehabeam.Shilimela@bon.com.na**

Thank you for your cooperation!

B. Respondents

Industries / Sectors Contacted	Number	Town
Baking	1	Windhoek
Catering and Decorating	2	Windhoek
Commercial Banks	1	Windhoek
Dressmaking	4	Windhoek
Electricity Supply	1	Otjiwarongo
Enterprise and Entrepreneurial Development (SME Compete	1	Windhoek
Fishing	2	Walvisbay
General (Team Namibia)	1	Windhoek
Hospitality and Tourism	3	Windhoek
Information, Communication and Technology	2	Keetmanshoop & Windhoek
Institute of Private and Public Research (IPPR)	1	Windhoek
Investment Promotion Agency - MTI	1	Walvis Bay
Local Authority	1	Windhoek
Manufacturing (Leather jackets, bags, belts)	2	Windhoek
Marine and Industrial Engineering	1	Walvis Bay
Micro Insurance and Micro Finance for Education	1	Windhoek
Mining	2	Swakopmund & Perth
Namibia Manufacturing Association (NMA)	1	Windhoek
Other Manufacturing (Soaps, body creams, detergents)	4	Windhoek
Parastatals	3	Windhoek
Printing	2	Windhoek
Registrar of Companies - MTI	1	Windhoek
Retail	6	Windhoek
School Jerseys Manufacturing	1	Windhoek
Services and Repairs	2	Windhoek
Solar Installations	1	Windhoek
Transport & Storage	2	Walvis Bay & Cape Town
Total number of respondents	**50**	

C. The number of procedures, time and cost involved in starting a business in Namibia[1]

	Procedure	Time to Complete	Associated Costs
1	Obtain the approval for a company name from the Registrar of Companies.	18 days	included in the cost of registration
2	Pay the registration fees and buy revenue stamps at the Receiver of Revenue	1 day	NAD270
3	Hire an attorney to register the company with the Registrar of Companies; obtain the certificate to commence business.	14 days	about NAD5,750+ NAD556 notary fees
4	Deposit the initial capital in a bank account.	1 day	no charge
5	Apply for a town planning certificate.	1 day	no charge
6	Apply for a trading licence from the local municipality.	1 day	NAD47 to NAD350 depending on the type of business
7	Register for VAT with the Receiver of Revenue at the Ministry of Finance.	9 days	no charge
* 8	Register for PAYE with the Receiver of Revenue.	4 days (simultaneous with previous procedure)	no charge
9	Register workers with the Social Security Commission.	21 days[2]	NAD10 per employee
* 10	Register workers with the Workmen's Compensation Commission	20 days[3] (simultaneous with procedure 9)	no charge

* Takes place simultaneously with another procedure.

Source: Doing Business 2012

[1] Registration of a business can take longer than indicated in this table, especially when registering a micro lender, the clearance certificate required to register a micro lending business from the police takes more than 6 months before it is obtained.

[2] Takes only 1 day according to the Social Security Commission

[3] Takes only 1 day according to the Social Security Commission