



REPUBLIC OF NAMIBIA

POLICY BRIEF

NAMIBIA COMPETITIVENESS RANKING:

Are we addressing the real issue?

OFFICE OF THE
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1. INTRODUCTION

Namibia's recent macroeconomic performance shows a moderate level of competitiveness. Between 2000 and 2014, the economy registered an average growth rate of 4.8 percent higher than the growth rates of some SADC¹ member states (Malawi (4.2%), Botswana (4.1%), Mauritius (4.1%) and South Africa (3.4%))². The country enjoyed a single digit inflation rate of lower than 6%. Given its resource endowments, the country has immense growth potential and provides enormous investment opportunities in sectors such as mining, agriculture, manufacturing, and tourism.

Despite these achievements, there are some issues that raise concern regarding Namibia's competitiveness. Among the challenges the country is facing include the ease in which business is being conducted, more specifically on the number of procedures required and time delays in starting a business. A further challenge the country is facing is a lack of sufficiently skilled labour to meet the specific requirements of the market. Competitiveness therefore remains a key policy priority as espoused in the Fourth National Development Plan (NDP4) and as pointed out by several researchers such as (Aiginger, Barenthaler-Sieber, & Vogel, 2013); (Delgado, Ketels, Porter, & Stern, 2012). The attainment of Vision 2030's primary pillars for Namibia to be an "industrialized and knowledge-based nation" to a large extent depends on the improvement of the productivity and competitiveness in the production of goods and services.

Competitiveness is vital as it boosts sustainable development and productivity. It also plays an important role in industrial development, poverty reduction, employment creation and national development. A country's competitiveness attracts inflows of new investors that come with new knowledge and technology that can boost productivity. The strength of competitiveness is also an important determinant for the well-being of states in an international trade environment. Namibia's competitiveness is facing challenges and has recently shown signs of deterioration.

This study seeks to analyse the trend of Namibia's global competitiveness weaknesses based on the Global Competitiveness Report (GCR) rankings of 2009/2010 to 2014/15. The study is vital as it will inform policy makers of the factors undermining Namibia competitiveness. After this introduction, the rest of the paper is structured as follows: Section 2 presents the literature review, followed by findings in Section 3 and conclusion in Section 4.

1 Southern Africa Development Community

2 The data were obtained from the World Bank Development Indicators database

2. LITERATURE REVIEW

Competitiveness is defined as the expected level of output per working-age individual given the overall quality of a country as a place to do business (Delgado et. al., 2012). Considering this definition, emphasis is placed on the productivity of the economy's workforce and its capacity to utilise a significant proportion of the available labour to influence overall prosperity positively. Aiginger, Barenthaler-Sieber, & Vogel (2013) identify a comprehensive set of factors that influence the expected output per potential worker. The World Economic Forum's Global Competitiveness report uses these factors to identify Twelve (12) pillars of Global Competitive Index (GCI). These pillars are grouped into three categories:

Macroeconomic competitiveness

From the perspective of Macroeconomics, a country's level of competitiveness is enhanced by social infrastructure (i.e. institutions, and rule of law). A number of researchers have established a strong positive relationship between the quality of institutions and the level of economic development (Acemoglu et. al., 2001, Hall and Jones, 1999). The rule of law, property rights, quality of governance, education, healthcare, public good investments and safety are all necessary prerequisites to enhancing productive economic activity (Sachs, 2005, Mauro, 1995, De Soto, 2000). Moreover, education, health care, and public safety are dimensions of the social infrastructure that enables productive economic activity (Sachs, 2005). Therefore, if a significant proportion of the work force has limited education, their ability to actively participate in the economy is restricted. Furthermore, the presence of epidemics such as HIV hinders productive economic activity due to the fact that a large proportion of society concentrates on sustaining their basic health, instead of being productive economic agents (Lorentz et al., 2008; Weil, 2007).

Microeconomic competitiveness

Competitiveness at the micro level is enabled by factors that affect firm productivity and labour mobilization. Efficient access to capital by firms in an economy will ensure adequate investment needed to enhance productivity, resulting in the overall improvement in competitiveness (Amy, 2008 and Guasch-Mila et. al., 2005). The quality and quantity of human resources is also seen as an important factor in enhancing competitiveness.

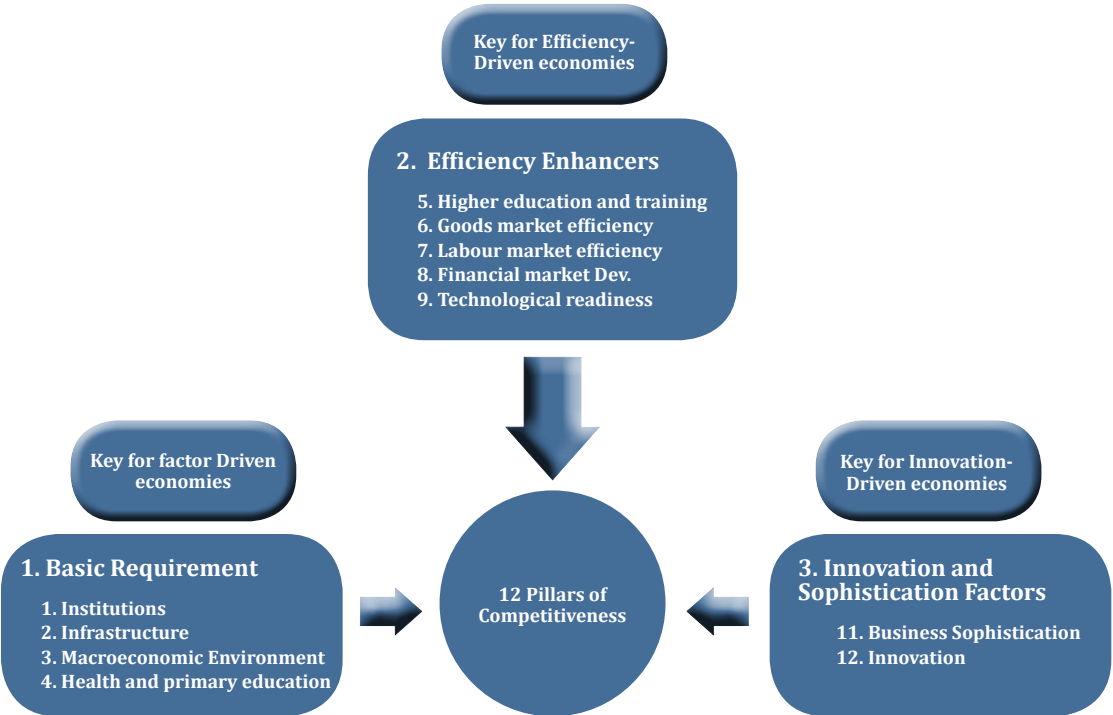
Due to the fast changing nature of many industries and sectors, a well-educated workforce presents a country with a competitive advantage by improving its capacity to accumulate new knowledge within the shortest possible time. Bureaucratic red tape is consistently mentioned as a major bottleneck to competitiveness. Quality administrative practices improve competitiveness. The productivity of a firm has also been shown to be strongly influenced by regulations that govern local competition. If the local economy is characterized by a high level of competition, this invariably leads to improvements in performance (Carlin et. al., 2005, and Lewis, 2004). Also, the degree of competition in the local economy significantly affects the barriers to entry and the rate of exit of non-performing firms. The ownership structure (i.e. private or state owned, conglomerate or single business) influences the level of efficiency through intensity of competition (Meggison and Netter, 2005). Openness of the economy has a positive influence on competitiveness. Furthermore, the extent of integration with the global economy through international trade improves competitiveness because it facilitates access to advanced technology.

Endowment

Inherent factors of countries can affect competitiveness and prosperity. For example, the size of a country can serve as an incentive for FDI inflows which aim to tap into its huge market potential. Endowments such as natural resources can meaningfully affect the total level of national output. However, countries with weak institutions and high levels of corruption endowment can have a negative impact on competitiveness by distorting policy choices. A country's geographic location or a long coastline for shipping can affect the ease with which it trades with other countries. The factors that determine the competitiveness of an economy are summarized in Figure 1. The GCI takes the stages of development into account by allocating relative weights to pillars that are more relevant for an economy in a particular stage of development. The pillars are

accordingly organized into three sub-indexes, each critical to a particular stage of development: the basic requirement category; the efficiency enhancers' category; and the innovation and sophistication category.

Figure 1: The 12 pillars of Measuring Competitiveness



Source: Summarized from the Global Competitiveness report, 2009-2014

The basic requirements category is most critical for countries in the factor-driven developmental stage while the efficiency enhancer category includes those pillars critical to countries in the efficiency-driven stage. The innovation and sophistication category includes the pillars critical to countries in the innovation-driven stage. Table 1 shows the three categories with their respective weights and the stages of development. Given the different stages of development and resource endowments, the rankings using the 12 pillars affect countries differently. There are mainly two criteria used to assign countries into the three stages of development. The first is the level of GDP per capita at the market exchange rate. This widely available measure is used as a proxy for wages because internationally comparable data on wages are not available for all countries. The second criterion is based on the countries that are heavily depended on extraction of resources. This measure assumes that any country with more than 70 percent of its total export accounted for by mineral products is a resource economy.

Table 1: Sub index weights and income thresholds for stages of development

Global Competitiveness Index	STAGES OF DEVELOPMENT				
	Stage 1: Factor-Driven	Transition from Stage 1 to Stage 2	Stage 2: Efficiency-Driven	Transition from stage 2 to stage 3	Stage 3: Innovation-Driven
GDP per capita (US\$) thresholds	<2 000	2 000 - 2 999	3000 – 8 999	9000 – 17 000	>17 000
Weight for basic requirements sub index	40%	40-60%	40%	20-40%	20%
Weight for efficiency enhancers sub index	50%	35-50%	50%	50%	50%
Weight for innovation and sophistication factors sub index	10%	5-10%	10%	10-30%	30%

Source: Summarized from the Global Competitiveness report, 2009-2014

In the first stage of development, countries’ competitiveness depends mainly on factor endowments; primarily unskilled labor and natural resources. In this stage, companies’ competitiveness is based on pricing and sells basic products or commodities. They are characterized by low productivity reflected in low wages. This stage of development is largely influenced by Pillar 1 - 4 (refer to Figure 1).

The efficiency driven stage of development is based on the countries advanced development and wage increase. At this point, the countries level of productivity and product quality increases. The competitiveness at this stage is mainly driven by Pillar 5 -10 (Figure 1).

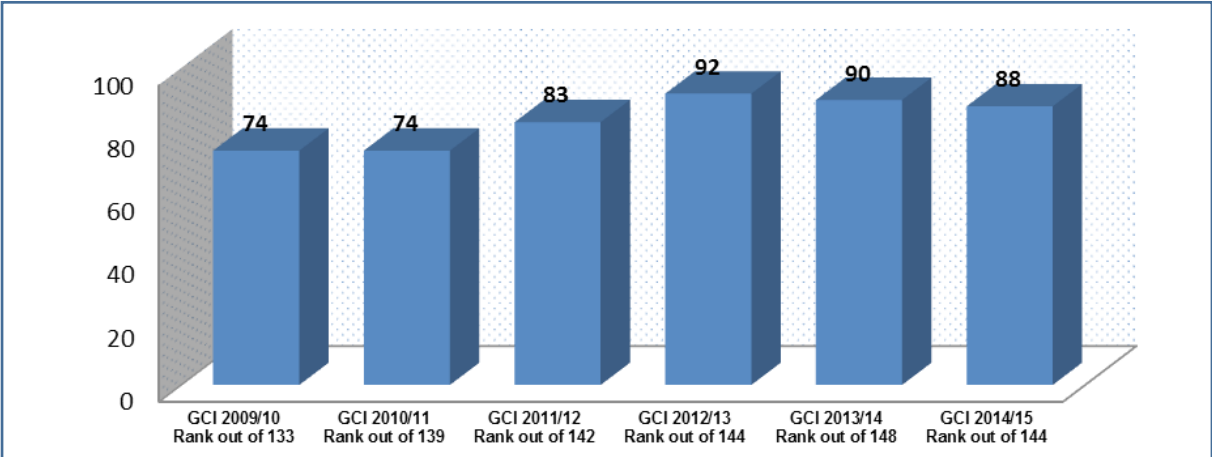
Finally, as countries move into the innovation driven stage, they are able to sustain higher wages and compete in the market with new and unique products. Countries in this stage of development can afford to invest in innovation, given their higher level of income. Any countries falling between the three stages are considered to be in “transition”. The weights change smoothly as a country develops, reflecting the smooth transition from one stage of development to another. Namibia is classified as an economy that is in Stage 2 (efficiency driven) because the country recorded a GDP per capita of about US\$ 5 667.

As stated above, competitiveness is driven by three broad categories: the basic requirement that carries a weight of 40 per cent; the efficiency enhancers with a weight of 50 per cent; and the innovation and sophistication category with a weight of 10 per cent. For each pillar, a trend analysis for the past three years (2009/10; 2011/12; 2013/14) will be discussed.

3. FINDINGS

Namibia has shown an improvement in the competitiveness rankings between 2012 and 2015. The rankings show two place jumps in Namibia’s overall position from being ranked 92 in 2012/13 to 90 in 2013/14. Between 2013/2014 and 2014/2015, Namibia improved four places from being ranked 92nd (out of 148 countries) to 88th (out of 144 countries).

Figure 2: Namibia’s overall competitiveness ranks (2009-2014)

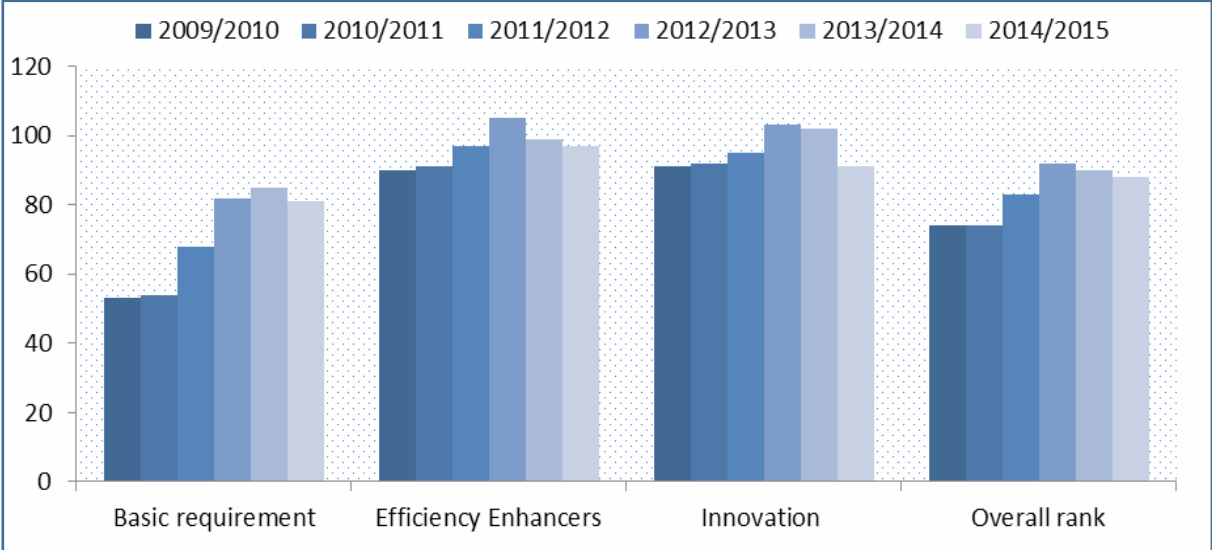


Source: Summarized from the Global Competitiveness report, 2009-2014

Namibia is categorized as a stage two (efficiency driven) country. The competitiveness requirements for efficiency includes pillars on education and training; labor and goods market efficiency; technological readiness and market size crucial for attracting foreign direct investment and facilitation of economic diversification. Long term sustainable development and diversification hinges on the diversity of exports and growth factors which depend, to a larger extent, on investment opportunities that can be realized through promoting factors that improve efficiency enhancers, technology, innovation and business sophistication.

A comparison of the performance of the 12 pillars shows an improvement in 2013/14 and 2014/2015 while the rankings obtained between 2009/10 and 2012/13 shows a decline in all pillars under the basic requirement, efficiency enhancers and innovation (Figure 3). This is a concern given the importance of competitiveness as a key factor in transforming the economy into an industrialized and knowledge- based economy. What are the possible contributing factors to this competitiveness performance? The following section compares Namibia’s performance to other SADC member countries.

Figure 3: Namibia’s Overall Rank and Main Components³



Source: Summarized from the Global Competitiveness report, 2009-2014

3.1 NAMIBIA’S PILLAR OUTCOMES COMPARED TO OTHER COUNTRIES

This section compares Namibia with four SADC member countries and Singapore. Singapore, one of the most competitive countries in the world is characterised by strong market efficiency due to technological advancement, and labour market efficiency as a result of high education and training as well as financial market development. Table 2, 3 and Figure 4 below compares Namibia to the five selected countries. The comparative analysis indicates the need for Namibia to understand and explore the factors that drives the observed improvements on efficiency enhancers and innovation pillars in these countries.

Namibia does not vary much when compared to Botswana and Mauritius in the basic requirement category. The only difference being that the two countries continued to improve their overall competitiveness while Namibia’s competitiveness deteriorated due to a lack of improvement in the scores and ranks for health, primary education, institutions and macroeconomic environment in all the years except in 2014/15. But even in 2014/15 when Namibia registered an improved, this was not enough to regain the 2010/11 ranking. Namibia is ranked 115 out of 144 compared to a rank of 125 out of 148 countries in 2013/14 on health and primary education indicator. Mauritius moved up by six places to attain 39th position in 2014/15, remaining the highest-ranked country in sub-Saharan Africa. The country benefits from health and primary education and well-implemented institutions with goods market efficiency. South Africa is ranked 56th in 2014/15 deteriorated by three places compared to 2013/2014 when it ranked 53rd, ranked the second-highest country in the region after Mauritius (39th position). Overall, Namibia’s basic requirement ranks have been deteriorating over the last years. All the four pillars worsened except the health and primary education pillar that recorded improvements in the 2014/15 rank.

3 See the appendices for data values for figure 3

Table 2: Basic requirements outcomes of the 2010/12-2014/15 Pillar based ranks

Country	Year	Basic requirement rank	1st Pillar: Institutions	2nd pillar: Infrastructure	3rd Pillar: Macroeconomic environment	4th Pillar: Health and primary education
Botswana	2010\11	76	32	84	74	114
	2011\12	81	32	92	82	120
	2012\13	78	33	87	81	114
	2013\14	66	34	94	24	115
	2014\15	72	39	101	13	127
South Africa	2010\11	79	47	63	43	129
	2011\12	85	46	62	55	131
	2012\13	84	43	63	69	132
	2013\14	95	41	66	95	135
	2014\15	89	36	60	89	132
Mauritius	2010\11	47	43	58	62	59
	2011\12	48	40	54	79	55
	2012\13	52	39	54	87	54
	2013\14	42	39	50	67	43
	2014\15	38	35	42	74	42
Namibia	2010\11	54	38	54	40	112
	2011\12	68	43	58	63	114
	2012\13	82	52	59	84	120
	2013\14	85	48	60	70	125
	2014\15	81	50	66	78	115
Zambia	2010\11	121	65	118	120	128
	2011\12	115	64	112	99	130
	2012\13	108	56	111	67	129
	2013\14	104	51	118	81	126
	2014\15	109	52	118	103	118
Singapore	2010\11	3	1	5	33	3
	2011\12	1	1	3	9	3
	2012\13	1	1	2	17	3
	2013\14	1	3	2	18	2
	2014\15	1	3	2	15	3

Source: Summarized from the Global Competitiveness report, 2009-2014

Namibia recorded a slight improvement in the efficiency enhancers' category to reach the 2011/12 ranking though still lower than the 2010/11 ranking (Table 3). The ranking recorded an improvement from being ranked 99 in 2013/14 to 97 in 2014/15 which is lower than the 2010/11 rank of 91. The improvement in Namibia's efficiency enhancers is attributed to labour market efficiency with minor improvements in technological readiness and the market size pillar. Although the country recorded a positive improvement in the overall efficiency enhancers, the country performed badly in the goods market efficiency and the financial market

development pillar as these pillars have deteriorated over the last years, depicting an upward trend. Despite having a fully-fledged Development Bank of Namibia and the recently opened SME Bank, sources of finance for businesses is still a challenge in Namibia. Again Mauritius, Botswana and South Africa outperformed Namibia in the efficiency enhancers' category. Overall, Namibia's efficiency enhancer shows a moderate positive change even though the country ranks below the four comparators in most of the indicators.

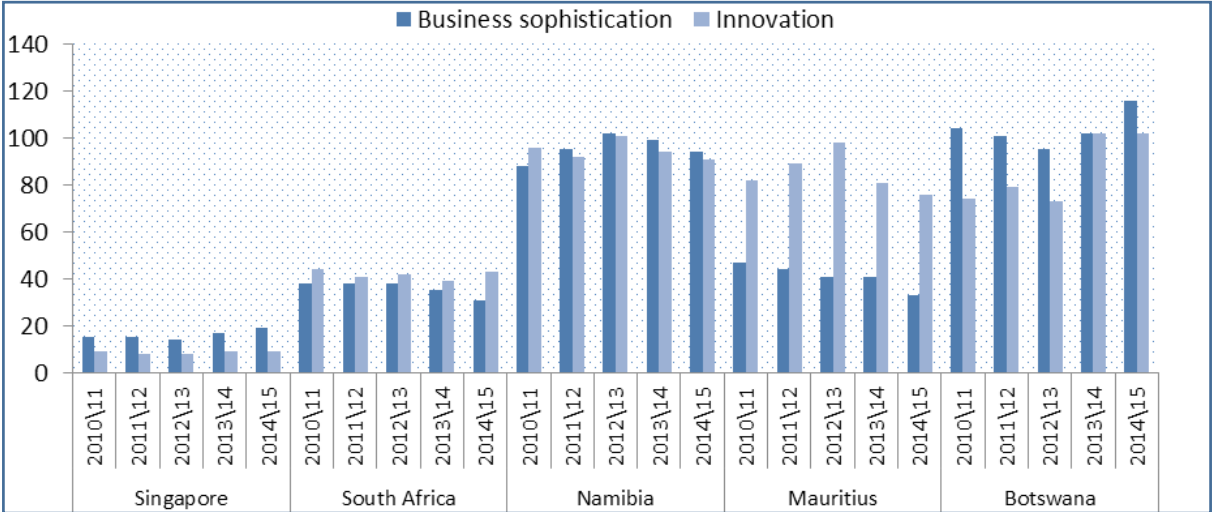
Table 3: Efficiency enhancers' outcomes of the 2010/12-2014/15 Pillar based ranks

Country	Year	Efficiency's Enhancers rank	5th Pillar: Higher education and training	6th Pillar: Goods market efficiency	7th Pillar: Labor market efficiency	8th Pillar: Financial market development	9th Pillar: Technological readiness	10th Pillar: Market size
Botswana	2010\11	85	94	58	61	47	99	102
	2011\12	86	93	68	52	44	101	99
	2012\13	89	95	78	60	53	106	97
	2013\14	93	99	92	47	53	104	101
	2014\15	84	101	97	36	57	76	97
South Africa	2010\11	42	75	40	97	9	76	25
	2011\12	38	73	32	95	4	76	25
	2012\13	37	84	32	113	3	62	25
	2013\14	34	89	28	116	3	62	25
	2014\15	43	86	32	113	7	66	25
Mauritius	2010\11	66	70	31	59	29	61	112
	2011\12	68	68	28	67	42	61	110
	2012\13	62	65	27	70	35	63	109
	2013\14	61	61	25	55	26	63	112
	2014\15	59	54	25	52	26	63	113
Namibia	2010\11	91	111	56	55	24	88	114
	2011\12	97	113	71	57	36	99	120
	2012\13	105	119	87	74	47	104	120
	2013\14	99	115	91	59	39	90	121
	2014\15	97	115	96	55	46	89	119
Zambia	2010\11	101	114	65	107	49	110	111
	2011\12	106	121	61	105	51	114	114
	2012\13	108	121	42	111	50	115	111
	2013\14	101	119	38	93	46	115	111
	2014\15	86	80	37	88	50	105	110
Singapore	2010\11	1	5	1	1	2	11	41
	2011\12	1	4	1	2	1	10	37
	2012\13	1	2	1	2	2	5	37
	2013\14	2	2	1	1	2	7	34
	2014\15	2	2	1	2	2	7	31

Source: Summarized from the Global Competitiveness report, 2009-2014

Namibia recorded an improvement in the innovation and sophistication category of 11 points in 2014/15. The country ranked 91 out of 144 in 2014/15 from being ranked 102 out of 148 in 2013/14. The improvement in innovation and sophistication was as a result of positive changes in the business sophistication and innovation pillars attributed by the improvements in the nature of competitive advantage and company spending on research and development. The two pillars play an important role in increasing productivity through marketing and distribution by increasing the value of products and services. Namibia performed well in terms of business sophistication compared to Botswana, but is still doing relatively poor compared to South Africa and Mauritius. Mauritius competitiveness improvements are of particular interest since the economy started from a less favourable position in the late 2000s when the country was ranked in the 60s position.

Figure 4: Innovation and Sophistication outcomes of the 2010/12-2014/15 Pillar based ranks



Source: Summarized from the Global Competitiveness report, 2009-2014

The Export Processing Zones (EPZ) Policy implemented in the 1970s supported and promoted trade relations which attracted massive inflows of investment to Mauritius. The policy has been a resounding success which has helped transform the Mauritian economy and enhance its competitiveness. It promoted export diversity and trade performance in Mauritius. The growth in manufacturing exports from EPZ and openness to FDI generated new opportunities for trade, employment and growth diversity. EPZ’s contribution towards innovation and business sophistication has improved the competitiveness pillars for infrastructure, goods and labour market efficiency. The government of Namibia adopted its EPZ policy in 1995 with a tax break as an incentive for export-oriented manufacturing enterprises in exchange for technology transfer, capital inflow, skills development and job creation. Although Namibia benefited from EPZ since its implementation, its performance did not meet the expectations and most companies have since closed down.

The right type of enabling framework put in place in Mauritius led to economic expansion and competitiveness. It focused on high principles for openness; highly focused outward looking policies; and plans for upgrading the skills and capabilities of the workforce.

It is therefore crucial for Namibia to create the enabling framework in areas where it lags behind on competitiveness. Namibia lags behind in the areas of institutions, health and primary education, goods market efficiency and financial and market development. South Africa’s strong industrial base, large market size, diversity on trade, exports, infrastructure development and technology advances have led to competitiveness in the pillars for infrastructure, goods market efficiency, financial sector development, market size and business sophistication over the past years. These factors made South Africa an attractive destination for foreign direct investment in the Southern African region and Africa as a whole.

3.2 NAMIBIA OUTCOMES ON BASIC REQUIREMENTS FOR COMPETITIVENESS

(Pillars 1 - 4: 1. Institutions, 2. Infrastructure, 3. Macroeconomic environment 4. Health and Primary Education)

To understand the performance of specific competitiveness indicators, this section analyses the sub pillars of the three main categories. This is necessary to inform interventions needed to improve Namibia's competitiveness ranking and achieve the NDP4 targets. The basic requirement category comprises four sub pillars, disaggregated into 46 indicators and contributes 40 percent to the overall Global Competitiveness Index (GCI) score. The efficiency enhancer category comprises six sub pillars, which is disaggregated into 55 indicators and contributes 50 percent to the overall GCI scores. This means that good performance in efficiency enhancer category will have a bigger impact on overall competitiveness. The third category, innovation and sophistication consists of two sub pillars, with 18 indicators. The contribution of innovation and sophistication to the overall GCI score is 10 percent. In total, 119 indicators are used to compute a country's ranking. The indicators are converted to a scale of 1-to-7 for easy understanding with 7 being the best possible outcome.

3.2.1 Institutions Pillar

The country benefited from a well-protected right, an independent judiciary, and an efficient government where the country is ranked 30th (Table 4). Although the country recorded significant changes, it performed poorly in the diversion of public funds and ranked 73 out of 144 in 2014/2015 compared to 71 out of 148 in 2013/2014. Wastefulness of government spending and the burden of government regulations have also been ranked above 70. Reliability of police services declined by 6 points from 78 to 84 in 2013/2014 and 2014/2015 respectively. This means that there is a lack of reliability in police services to protect citizens from crime. The Afro barometer 2014/15 household survey in Namibia shows that many Namibians perceive the police to be corrupt. Corruption cases involving police officers vary from the traffic officer demanding bribes to destroying traffic tickets; defrauding tourists while pretending to be immigration officials; and retaining the belongings of arrested individuals.

The importance of a sound and fair institutional environment has become more apparent during the recent economic and financial crisis and is crucial at the international level as economies compete. The quality of institutions has a strong bearing on competitiveness and growth. It influences investment decisions and the organization of production. It also plays an important role in the manner societies distribute the benefits and bear the costs of development strategies and policies. For example, owners of land, corporate shares, or intellectual property are unwilling to invest in the improvements and upkeep of their property if their rights as owners are not protected.

Table 4 shows that the institutional environment performed well over the past years except in 2014/15 when the country ranked 50 out of 144 countries. Despite the good performance, there is a need to address the business costs of crime and violence, nepotism in government officials, reliability of police services and diversion of public funds given the country's position (being ranked above 80). To attract more foreign investors, Namibia must strengthen its investor protection in terms of Favoritism in decisions of government officials and Transparency of government policymaking boosts economic growth. These pillars have been constant over the years in the 60th position.

Table 4: Institution Pillar 1 indicators

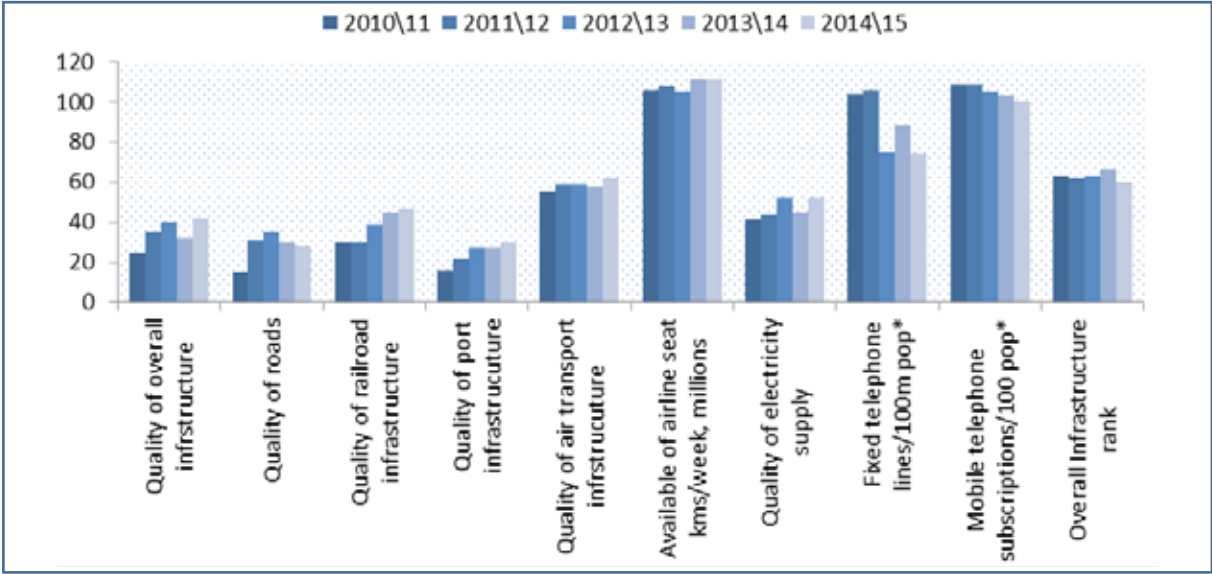
#	Institutions Indicators	2010\11	2011\12	2012\13	2013\14	2014\15
1	Property rights	20	26	40	36	35
2	Intellectual property protection	31	37	43	41	40
3	Diversion of public funds	44	53	71	71	73
4	Public trust of politicians	30	34	46	51	59
5	Irregular payments and bribes	44	51	61	64	61
6	Judicial independence	23	39	44	41	39
7	Favoritism in decisions of government officials	45	62	88	87	84
8	Wastefulness of government spending	27	32	55	65	70
9	Burden of government regulation	38	60	68	67	72
10	Efficiency of legal framework in settling disputes	24	29	38	32	29
11	Efficiency of legal framework in challenging regulations	15	27	42	42	36
12	Transparency of government policymaking	39	57	85	79	78
13	Gov't services for improved business performance			88		
14	Business costs of terrorism	37	27	34	40	39
15	Business costs of crime and violence	107	108	113	112	94
16	Organized crime	75	66	70	74	76
17	Reliability of police services	54	54	73	78	84
18	Ethical behavior of firms	45	49	59	53	53
19	Strength of auditing and reporting standards	11	28	31	30	34
20	Efficacy of corporate boards	21	50	81	83	67
21	Protection of minority shareholders' interests	14	23	40	35	30
22	Strength of investor protection, 0-10 (best)*	59	60	65	69	68
23	Overall Institution Rank	38	43	52	48	50

Source: Summarized from *Global Competitiveness report, 2009-2014*

3.2.2 Infrastructure pillar

The infrastructure pillar ranking deteriorated over the last five years by 12 points between 2011/12 and 2014/15. The proxy for measuring the infrastructure pillar includes indicators such as the quality of air transport infrastructure, quality of railroad and port, quality of roads and the quality of electricity supply (Figure 5). The Figure shows that the quality of overall infrastructure deteriorated. Apart from the quality of roads, fixed telephone per population and mobile subscription services per 100 populations, shows an improvement while all other indicators performed poorly.

The Figure 5: Infrastructure Pillar 2 indicators



Source: Summarized from the Global Competitiveness report, 2009-2014

It is hoped that the current initiatives to improve the airport and port infrastructure in the domestic economy will boost the indicators for infrastructure performance over time as the country’s rank in these two indicators has been deteriorating over the past years. The improvement of the airport infrastructure, and the maintenance and building of roads will enhance infrastructure. With steady recovery in the domestic and global economy, and an improvement in government’s fiscal position, the Government should continue with infrastructure development projects for upgrading and building roads. The ongoing Rural Electrification Programme; and long-to medium term Generation and Transmission projects in the country will improve Namibia’s rankings in the pillar and overall competitiveness on infrastructure. The uncertainty over power imports from South Africa’s power utility, Eskom, is one of the factors that adversely affected the infrastructure pillar with respect to the quality of electricity supply. The supplying of power through the new power agreement between Namibia and Zimbabwe would contribute positively to power supply which affects productivity in the business sector. Power supply should thus be given priority and delivery should be hastened in light of the continued reduction in the supply of electricity that Namibia gets from South Africa. In terms of the telecommunications sector, reforms in this sector will improve access to communication services, technology and telephone access in the broader economy and positively contribute towards infrastructure development in the sector. The migration from analogue to digital terrestrial by June 2015 is a step in the right direction to improve the pillar.

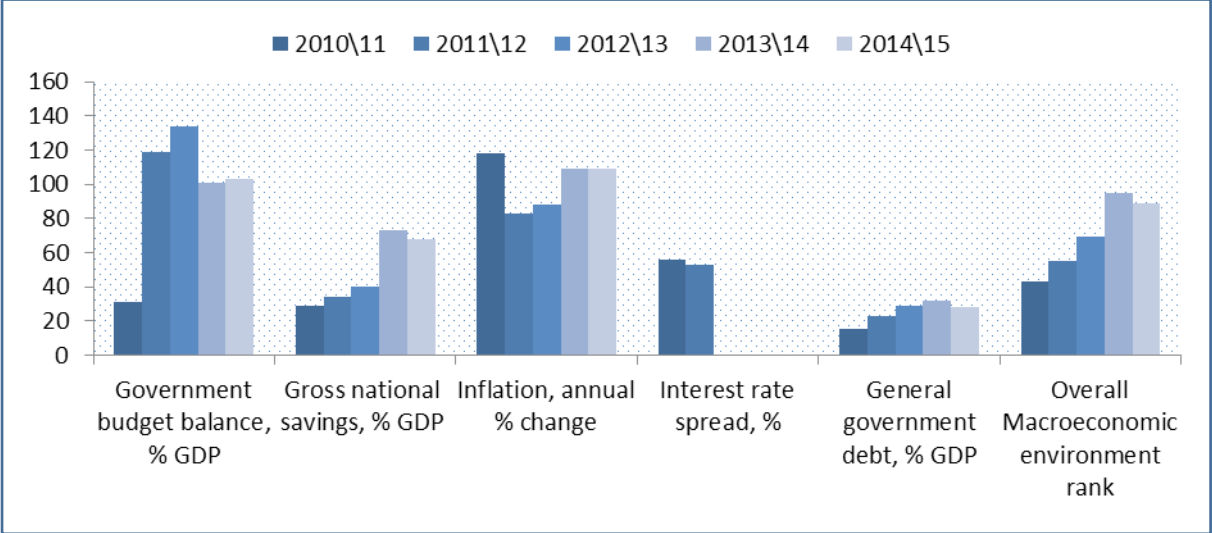
Despite good performance in the indicators of fixed and mobile telephone subscriptions, there is a huge concern on the infrastructure development as the ranking of the country is weakening; being ranked 66 out of 144 (2014/15) from 60 out of 148 in 2013/2014. The infrastructure development is vital as it attracts the flow of foreign investment.

3.2.3 Macroeconomic Environment Pillar

The ranking of the macroeconomic environment pillar declined in 2014/15 and this is reflected by the accumulated public debt of 23.9 as a percentage of GDP and the deficit at about 3 percent of GDP which are considered as sub-indexes to evaluate the macroeconomic pillars. The inflation indicator ranking has been rising, ranked at 109/144 in 2014/15 from 88/144 in 2013/14, while the government budget balance indicator ranked 103/144 over the same period. The improvement recorded in the macroeconomic environment in 2013/14, was attributed by better rankings in government debts and savings. The current fiscal policy strategy which aims to attain a budget balance of N\$ 5 265 billion in 2014/15 would also lead to an improvement in the macroeconomic environment pillar.

To improve the ranking of the macroeconomic environment pillar, priority should be given to indicators such as savings, inflation and government budget balance as a percentage of GDP.

Figure 6: Macroeconomic environment Pillar 3 indicators



Source: Summarized from the Global Competitiveness report, 2009-2014

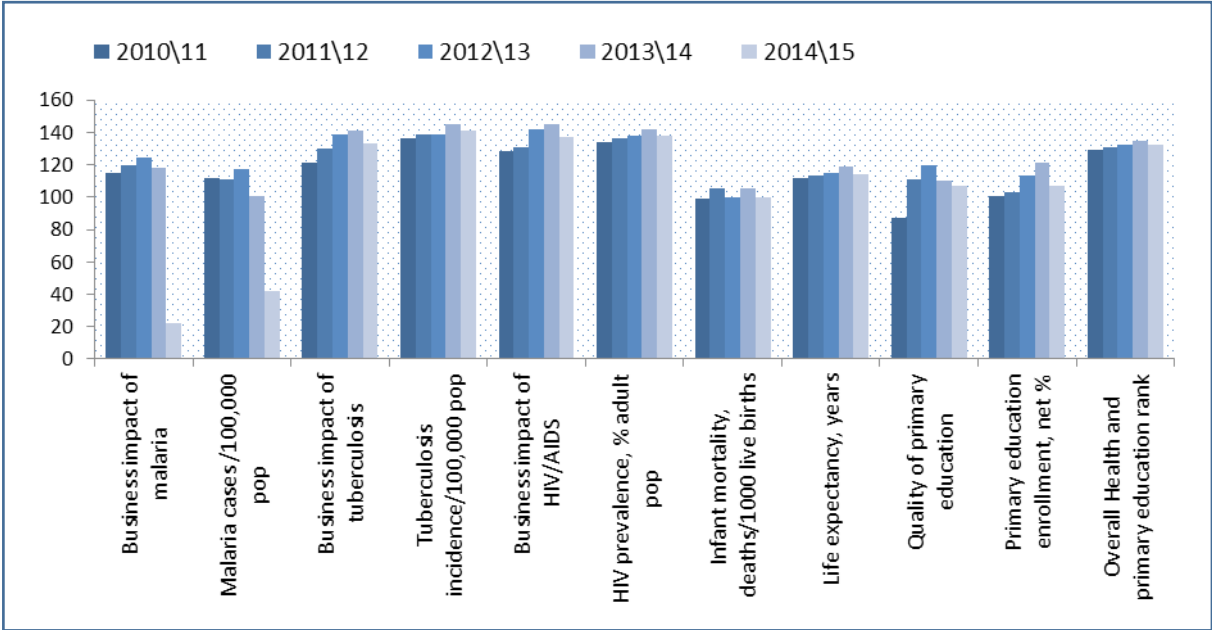
3.2.4 Health and Primary Education Pillar

The performance of this pillar has improved over the last three years as observed from the improvements in all indicators (Figure 7 below). This pillar plays a crucial role on the productivity of the workforce as a healthy and energetic workforce is able to perform at their fullest potential. The impact of malaria on business as well as malaria cases per 100 000 population has improved drastically. In the case of tuberculosis, although the ranking remains high there has been a notable improvement on tuberculosis related indicators.

The life expectancy indicator which increased from 49 years in 2001 to 56.9 in 2011 stabilised and improved over the years. With respect to the education sector, the quality and enrolment of primary education registered notable improvements. Enrolment figures in primary education increased from 415 454 learners to 436 920 learners from 2012 to 2014. The introduction of free universal primary education and formalisation of pre-primary education also attributed to the increased quality of primary education and enrolment.

The improvement in the health and education pillar contributed extensively to the overall Namibia GCI. The introduction of free primary education in 2013 and the ongoing programme of the anti-retroviral drugs to prevent mother to child transmission has positively contributed to the performance of the pillar. There is however a need to maintain and improve the current performance in all indicators under the health and education pillar. This will improve the general competitiveness performance given the weight allocated to this pillar.

Figure 7: Health and primary education Pillar 4 indicators



Source: Summarized from the Competitiveness report, 2009-2014

3.3 NAMIBIA OUTCOMES ON EFFICIENCY ENHANCERS FOR COMPETITIVENESS

(Pillars 5 -10: 5.Higher education and training, 6.Goods market efficiency, 7. Labour market efficiency, 8. Financial market development, 9. Technology readiness, 10. Market size)

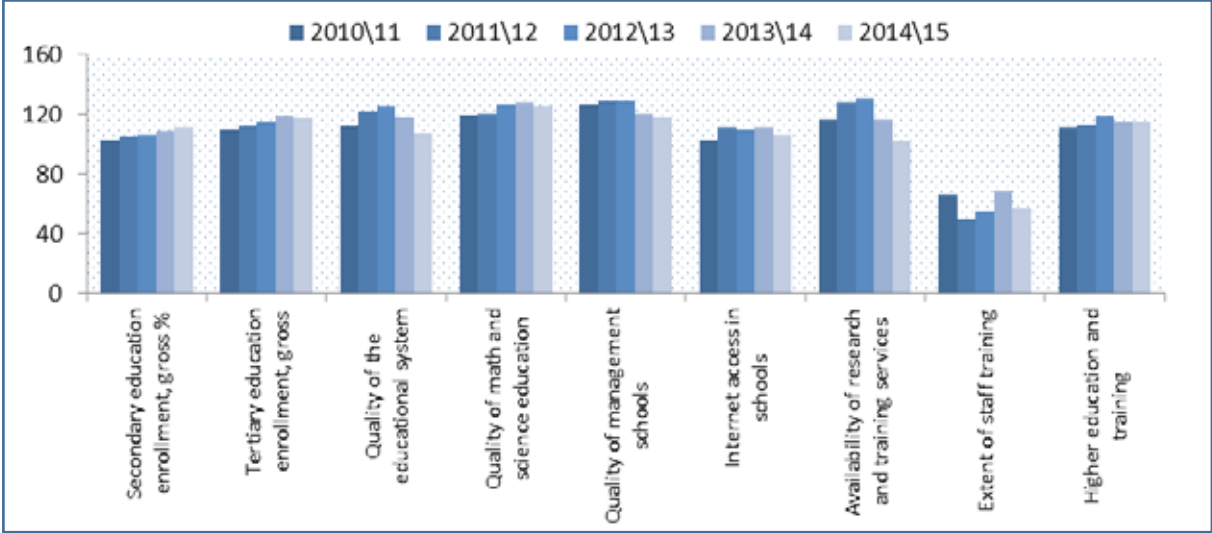
3.3.5 Higher education and training pillar

Namibia’s rank on the efficiency enhancers’ pillars shows an improvement between 2013/14 and 2014/15. The higher education and training pillar indicators have either stabilised or improved between 2010/11 and 2014/15 (Figure 8). The ranking on secondary and tertiary education; the quality of maths and science and internet access in schools remained the same over the five year period. This is worrisome given their ranking positions.

Though the rank of the higher education and training pillar remains less than desirable, the quality of the education system and the availability of research and training services registered a notable improvement. If this trend continues it will help to improve the general performance of the pillar. The extent of staff training fluctuated with no observed trend.

Among the efficiency enhancers for competitiveness, the pillar for higher education and training is central to promoting labour efficiency and productivity. The quality of mathematics and science education, management of schools, secondary and tertiary education enrolment, and internet access in schools played a role in the poor ranking of this pillar. Priority should therefore be given to these indicators.

Figure 8: Higher education and training Pillar 5 indicators



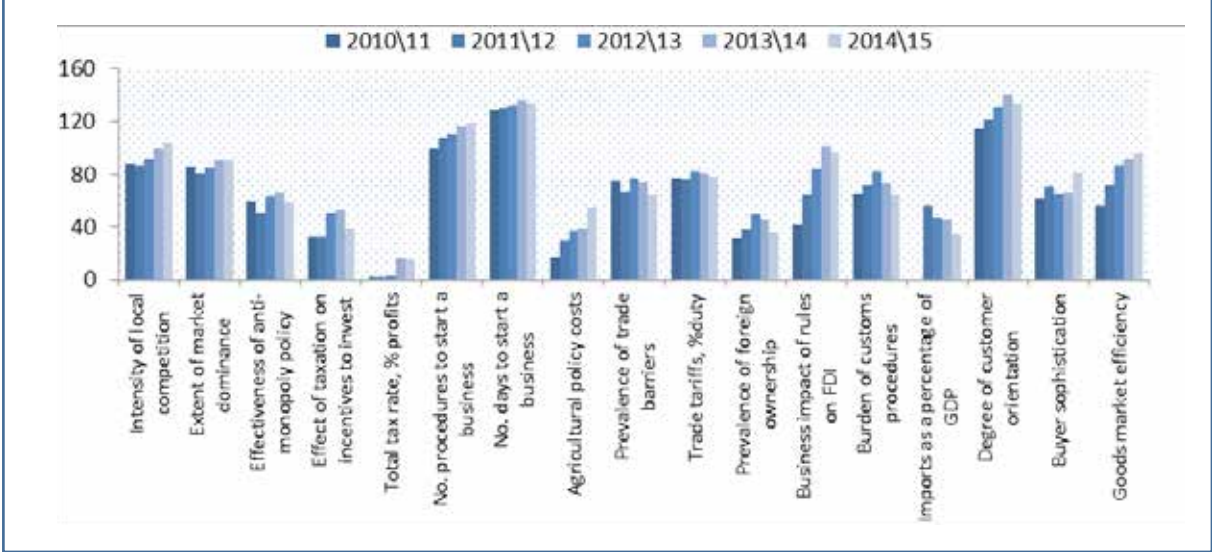
Source: Summarized from *The Global Competitiveness report, 2009-2014*

3.3.6 Goods Market Efficiency Pillar

This pillar recorded a decline in ranking between 2010/11 and 2014/15. During this period the performance of indicators such as the number of procedures required to start a business, number of days to start a business, customer orientation and intensity of local competition deteriorated (Figure 9). These indicators play a large role in attracting new investment.

Implementation of the Competition Policy in 2003 and the establishment of the Namibia Competition Commission in 2009 appear to have had little impact on the performance of this pillar. The formation of a “one stop shop service centre” Business Intellectual property Authority (BIPA) is expected to positively contribute to the rank of this pillar. There is however, a need to ensure that the targeted reforms at improving the business environment are fast-tracked since the factors that are affecting the ease of doing business are persisting.

Figure 9: Goods market efficiency Pillar 6 indicators



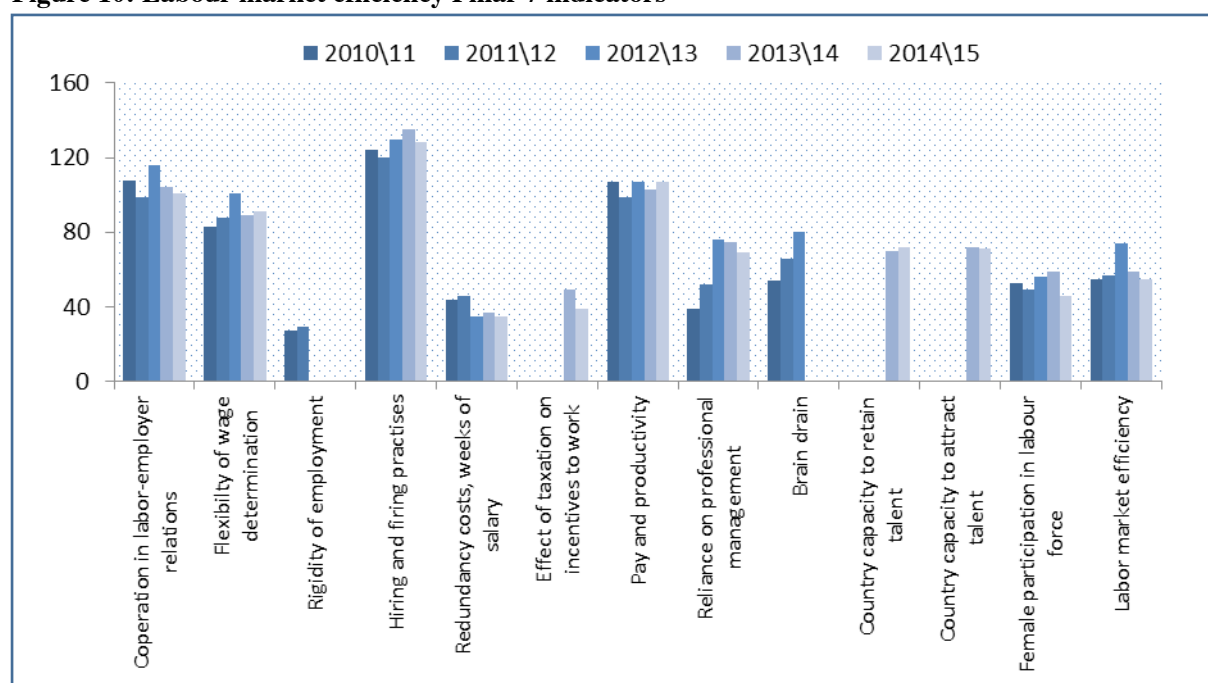
Source: Summarized from *the Global Competitiveness report, 2009-2014*

3.3.7 Labour Market Efficiency Pillar

The labour market efficiency pillar shows efficiency and flexibility of the labour market; a key factor in competitiveness. Flexibility of the labour market is important in allowing mobility of workers from one economic activity to another. Efficient labour markets are vital as it reinforces incentives for employees and efforts to promote meritocracy at the workplace. Figure 10 below shows that labour market efficiency in Namibia has been improving over the past years except in 2012/13. There is notable improvement in the performance of indicators such as cooperation in labour-employer relations; redundancy costs and female participation in labour force while flexibility of wage determination; hiring and firing practises and pay and productivity remained the same over a period of five years. Reliance on professional management and brain drain deteriorated during this period. This is a concern which requires urgent attention. These pillars have a positive effect on worker performance and increased economic productivity.

Despite the good performance under this pillar, there is a need to improve the level of cooperation in labour-employer relations, flexibility of wage determination, pay and productivity, brain drain and the country's capacity to retain talent.

Figure 10: Labour market efficiency Pillar 7 indicators



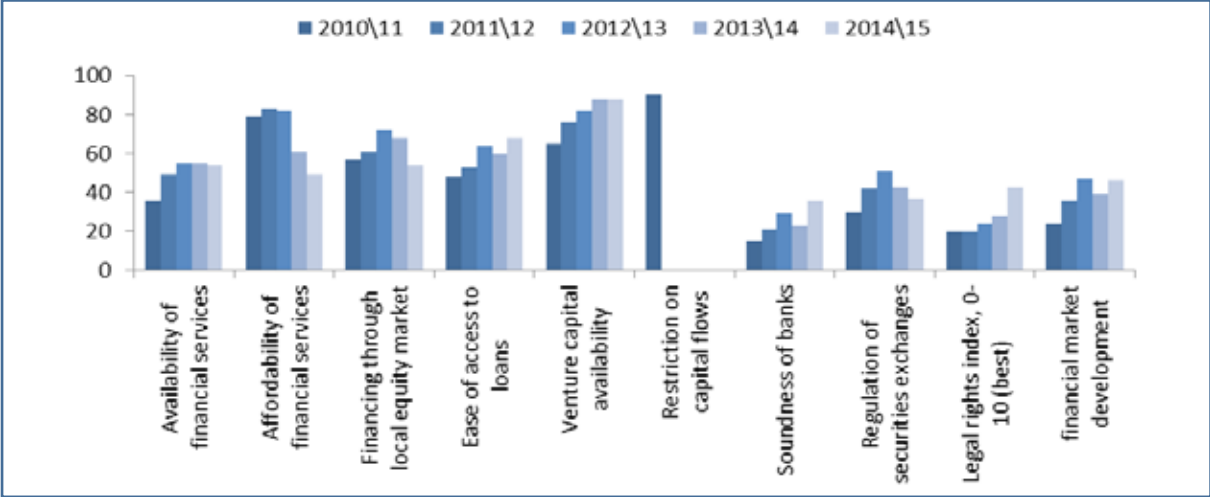
Source: Summarized from the Global Competitiveness report, 2009-2014

3.3.8 Financial Market Development Pillar

The performance of this pillar deteriorated over time (Figure 11). The pillar is ranked 46 out of 144 countries in 2014/15 declining by 7 points from being ranked 39 out of 148 countries in 2013/14. Only three out of nine indicators: the affordability of financial services; financing through local equity markets and regulations of security exchanges have improved during this period. All six indicators have either remained the same or deteriorated. There is an urgent need to address the ease of access to loans; venture capital availability and the availability of financial services.

Though the ranking of soundness of banks and legal rights index is relatively higher, it has deteriorated over time which is a worrying trend. There is a need to prioritize the legal rights of borrowers and lenders. If the Namibian legal system does not provide adequate protection compared to foreign legal rights, Namibian investors will increase their investment in foreign companies. Therefore, adequate legal rights must be put in place.

Figure 11: Financial Market development 8 pillar indicators

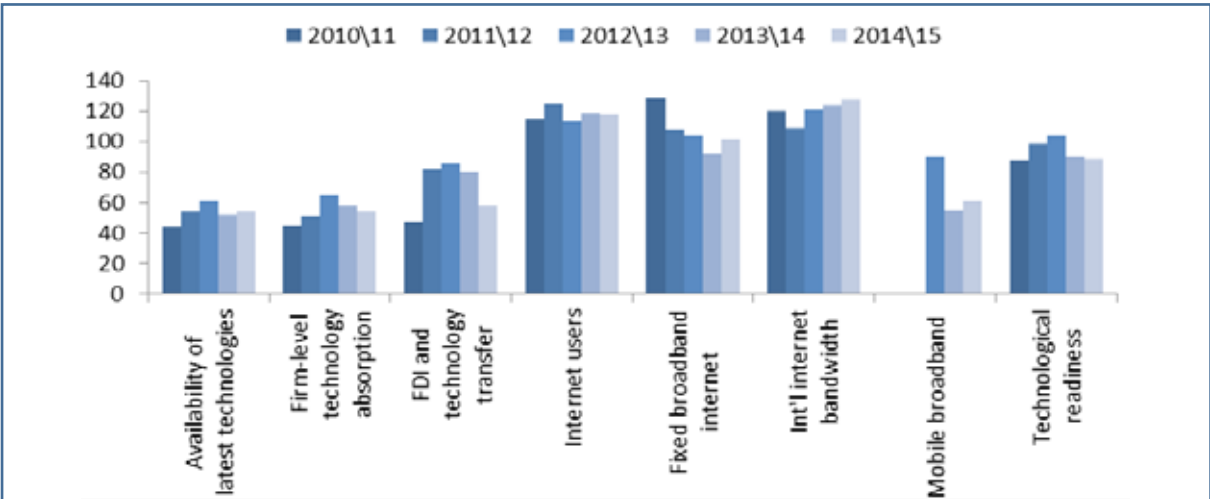


Source: Summarized from the Global Competitiveness report, 2009-2014

3.3.9 Technological Readiness Pillar

This pillar shows improvement over time more specifically under fixed broadband internet, firm level technological absorption, FDI and technology transfer and mobile broadband (Figure 12). International internet bandwidth deteriorated while the ranking for internet users and availability of latest technology remained mainly the same over time. The availability of the latest technology in the work environment would promote efficiency and effectiveness in the delivery of services. Technology advancement is crucial for efficient production processes in all sectors of the economy.

Figure 12: Technological readiness 9 pillar indicators



Source: The Global Competitiveness report, 2009-2014

Although this pillar experienced poor performance in some of the indicators, technological readiness has been improving over the past five years. The country is now ranked 89 out of 144 in 2014/15 from being ranked 110 out of 148 in 2010/11. The improvement in the rank was mainly attributed to immense development in the FDI and technology transfer, and firm level technology absorption. FDI and technology transfer improved by 22 points and ranked 58 out of 144 in 2014/15 from being ranked 80 out of 148 in 2013/14.

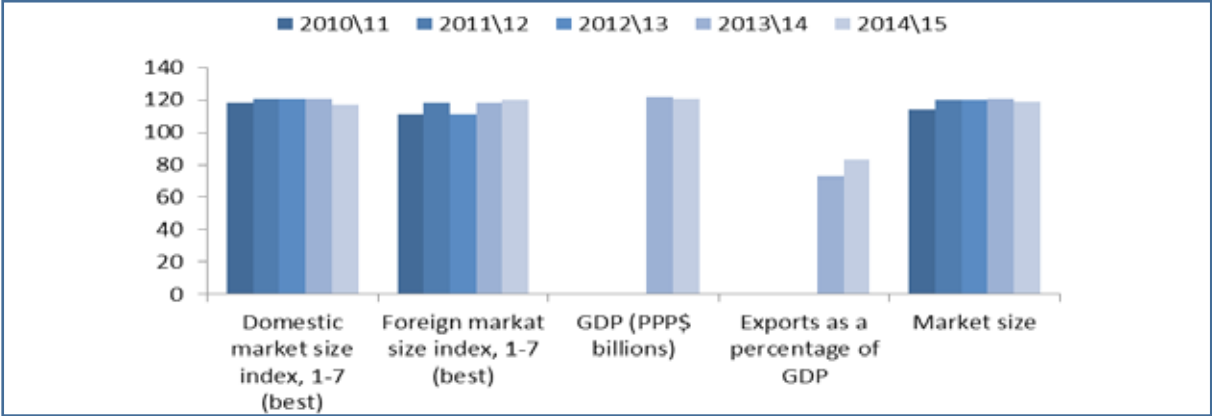
3.3.10 Market Size Pillar

The performance of this pillar remained the same recording a slight improvement in 2014/15 (Figure 13). The trend of the domestic market size index remained mainly the same improving slightly in 2014/15 while the

foreign market size index deteriorated during this period. The country ranked 119 out of the 144 countries in 2014/15 a decline of 9 points compared to 2013/14.

Given the current rank and performance of all the indicators under this pillar, there is an urgent need for improvement. Improvement in the logistics sector - a priority sector under NDP4 - will increase the foreign market size sub-pillar. The diversification of the economy and improvement in the manufacturing sector; another priority sector under NDP4, will improve exports as a percentage of GDP. Thus, current efforts on logistics should be implemented as a matter of urgency to improve the performance of this pillar.

Figure 13: Market size pillar 10 indicators



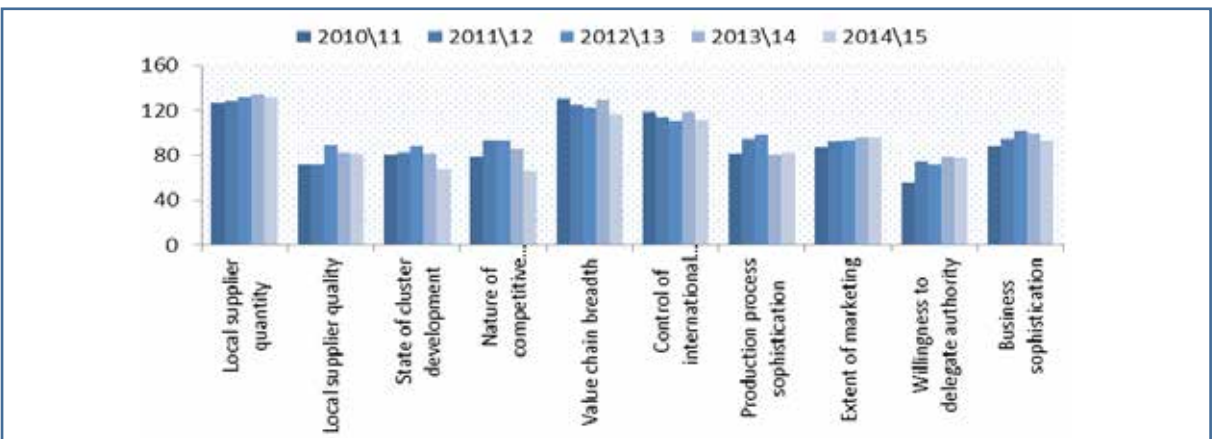
Source: Summarized from the Global Competitiveness report, 2009-2014

3.4 NAMIBIA OUTCOMES ON INNOVATION AND SOPHISTICATION FOR COMPETITIVENESS (Pillars 11 - 12: 11. Business Sophistication, 12. Innovation)

3.3.11 Business Sophistication Pillar

The business sophistication pillar registered a notable improvement in the state of cluster development; nature of competitive advantage and value chain breadth. Performance on the local supplier quantity; content of international distribution and production process sophistication remained the same, while local supplier quality; extent of marketing and willingness to delegate authority deteriorated. The quality and quantity of local supplies had a moderate improvement in rank, reflecting the limited productive opportunities and industrial base. There is a need to emphasize on indicators such as extent of marketing and the quality and quantity of local supply. Extent of marketing has been stagnant since 2012/13 – 2014/15 and ranked 96 out of 144.

Figure 14: Business sophistication 11 pillar indicators



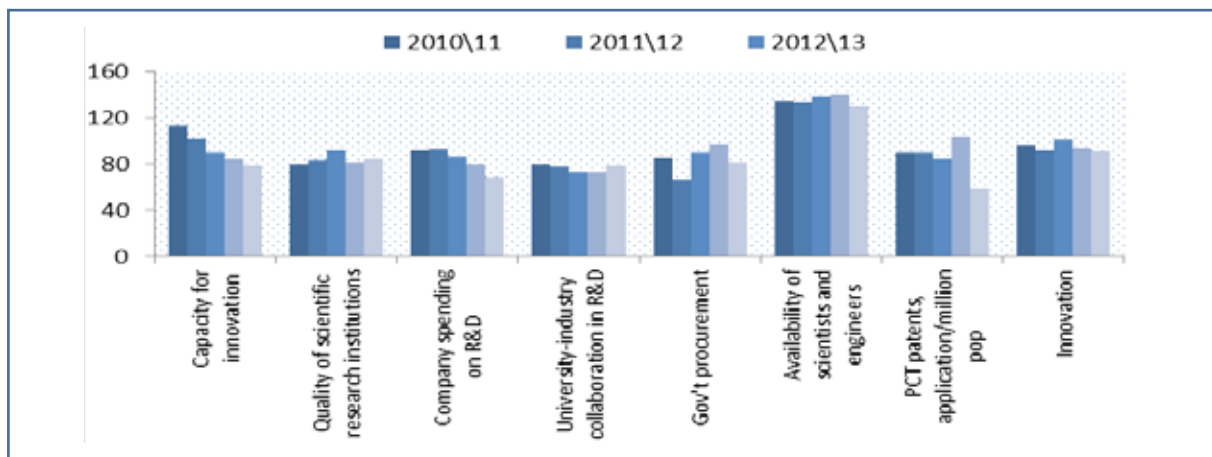
Source: Summarized from the Global Competitiveness report, 2009-2014

3.3.12 Innovation Pillar

Namibia's rank on the innovation and sophistication pillar shows an improvement over the past five years. In 2014/15, the business sophistication ranked 94 out of 144 from 99 out of 148 countries (Figure 15). There is a noted improvement on capacity for innovation; company spending on R&D and PCT patents, application per million populations. The quality of science research institutions; university-industry collaboration in R&D and availability of scientist and engineers remained the same while government procurement fluctuated. Gaining mileage in Namibia's competitiveness would largely depend on positive developments in business sophistication and innovation indicators which have put countries such as Singapore in the top 10 achievers while in Africa, South Africa and Mauritius made progress through improving factors that influence efficiency enhancers, business sophistication and innovativeness. Namibia's performance on innovation pillar was good resulting in the overall improvement on competitiveness in 2014/15.

Despite good performance in innovation and business sophistication, the country needs to improve the availability of scientists and engineers and the quality of scientific research institutions. In addition, the government needs to procure additional advanced technology products.

Figure 15: Innovation indicators 12 pillar indicators



Source: Summarized from the Global Competitiveness report, 2009-2014

4. CONCLUSION AND POLICY RECOMMENDATIONS

An assessment of the three categories: basic requirements, efficiency enhancers and innovation and business sophistication) shows improvements in the 2014/15 ranking only, however the trend of the past five years shows a deterioration in rankings. The efficiency enhancers were the worst performer ranked at 97th followed by innovation and sophistication factors (91st) and business requirement (81st). Out of the 12 pillars, the financial market development pillar was the best performer ranked 46 out of 144 countries in 2014/15, while market size, the worst performer, ranked 119 out of 144. What can be drawn from the assessment is that many indicators have been contained and stabilised while others indicates a positive outcome in the 2015/16 rankings though the movement is slow. This shows that a number of institutions are to a great extent in place in Namibia. However, the limitation remains with the process, speed and time it takes towards implementation.

Several reforms have been pronounced on the intentions of Government to promote Namibia's competitiveness and initiatives are underway for addressing constraints that affect doing business and competitiveness. The slow pace towards implementation tends to hinder positive progress on competitiveness and improving the business environment.

Goods market efficiency is affected by the time and clumsy bureaucratic procedures for starting a business. Reforms should be hastened to address these constraints. The formation of "one stop shop service centres" in major towns throughout the country is proposed. Business and Intellectual Property Authority (BIPA) would positively contribute towards reducing the time taken to starting a business in Namibia. The more businesses are incorporated and become operational, the more business activities and employment opportunities can be expected. The availability of the latest technology and international; fixed and mobile broadband subscriptions remains one of the pillars Namibia should place greater emphasis on in addition to designing strategies towards technological advancement.

There is also a need to hasten the implementation of the Human Resource Development Plan (HRDP) to tackle the constraints posed by the lack of trained human resources and an inadequately trained workforce to promote productivity and attaining a friendly investment and business environment. Enhancing productivity and competitiveness requires a concerted effort on the part of Government, private sector and stakeholders and as well as employees and employers to provide an enabling conducive environment. The factors that should form the priority list on initiatives to enhance Namibia's competitiveness are summarized as follows:

**Summary Factor Identified for Policy Agenda to Enhance Competitiveness in Namibia
(Ranked over 70)**

Institutions	Health and primary
<ul style="list-style-type: none"> • Diversion of public funds 	<ul style="list-style-type: none"> • Business impact of tuberculosis
<ul style="list-style-type: none"> • Favouritism in decisions of government officials 	<ul style="list-style-type: none"> • Tuberculosis incidence/100,000 pop
<ul style="list-style-type: none"> • Wastefulness of government spending 	<ul style="list-style-type: none"> • Business impact of HIV/AIDS
<ul style="list-style-type: none"> • Burden of government regulation 	<ul style="list-style-type: none"> • HIV prevalence, % adult pop
<ul style="list-style-type: none"> • Transparency of government policymaking 	<ul style="list-style-type: none"> • Infant mortality, deaths/1000 live births
<ul style="list-style-type: none"> • Business costs of crime and violence 	<ul style="list-style-type: none"> • Life expectancy,
<ul style="list-style-type: none"> • Organized crime 	<ul style="list-style-type: none"> • Quality of primary education
<ul style="list-style-type: none"> • Reliability of police services 	<ul style="list-style-type: none"> • Net Primary education enrolment
Infrastructure	Macroeconomic environment
<ul style="list-style-type: none"> • Available of airline seat kms/week, millions 	<ul style="list-style-type: none"> • Government budget balance, % GDP
<ul style="list-style-type: none"> • Mobile telephone subscriptions 	<ul style="list-style-type: none"> • Inflation, annual % change
Higher education and training	Labour market efficiency
<ul style="list-style-type: none"> • Secondary education enrolment, gross % 	<ul style="list-style-type: none"> • Cooperation in Labour-employer relations
<ul style="list-style-type: none"> • Tertiary education enrolment, gross 	<ul style="list-style-type: none"> • Flexibility of wage determination
<ul style="list-style-type: none"> • Quality of the educational system 	<ul style="list-style-type: none"> • Rigidity of employment
<ul style="list-style-type: none"> • Quality of math and science education 	<ul style="list-style-type: none"> • Hiring and firing practises
<ul style="list-style-type: none"> • Quality of management schools 	<ul style="list-style-type: none"> • Pay and productivity
<ul style="list-style-type: none"> • Internet access in schools 	<ul style="list-style-type: none"> • Country capacity to retain talent
<ul style="list-style-type: none"> • Availability of research and training services 	<ul style="list-style-type: none"> • Country capacity to attract talent
Good market efficiency	Market size
<ul style="list-style-type: none"> • Intensity of local competition 	<ul style="list-style-type: none"> • Domestic market size index, 1-7 (best)
<ul style="list-style-type: none"> • Extent of market dominance 	<ul style="list-style-type: none"> • Foreign market size index, 1-7 (best)
<ul style="list-style-type: none"> • No. procedures to start a business 	<ul style="list-style-type: none"> • GDP (PPP\$ billions)
<ul style="list-style-type: none"> • No. days to start a business 	<ul style="list-style-type: none"> • Exports as a percentage of GDP
<ul style="list-style-type: none"> • Trade tariffs, %duty 	
<ul style="list-style-type: none"> • Business impact of rules on FDI 	Technological readiness
<ul style="list-style-type: none"> • Degree of customer orientation 	<ul style="list-style-type: none"> • Internet users
<ul style="list-style-type: none"> • Buyer sophistication 	<ul style="list-style-type: none"> • Fixed broadband internet subscriptions
	<ul style="list-style-type: none"> • Int'l internet bandwidth, kb/s per user
Business sophistication	Innovation
<ul style="list-style-type: none"> • Local supplier quantity 	<ul style="list-style-type: none"> • Capacity for innovation
<ul style="list-style-type: none"> • Local supplier quality 	<ul style="list-style-type: none"> • Quality of scientific research institutions
<ul style="list-style-type: none"> • Value chain breadth 	<ul style="list-style-type: none"> • University-industry collaboration in R&D
<ul style="list-style-type: none"> • Control of international distribution 	<ul style="list-style-type: none"> • Gov't procurement in advanced tech products
<ul style="list-style-type: none"> • Production process sophistication 	<ul style="list-style-type: none"> • Availability of scientists and engineers
<ul style="list-style-type: none"> • Extent of marketing 	
<ul style="list-style-type: none"> • Willingness to delegate authority 	
Financial market development	
<ul style="list-style-type: none"> • Venture capital availability 	

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