Impact of COVID-19 and the Russia-Ukraine Crisis on Micro Small and Medium-Sized Enterprises (MSMEs) in Namibia

United Nations Economic Commission for Africa
Sub-Regional Office for Southern Africa

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<thead>
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<th>Description</th>
</tr>
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<tbody>
<tr>
<td>AfCFTA</td>
<td>African Continental Free Trade Area</td>
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<tr>
<td>AGOA</td>
<td>African Growth and Opportunity Act</td>
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<tr>
<td>COVID-19</td>
<td>Coronavirus Disease 2019</td>
</tr>
<tr>
<td>DBN</td>
<td>Development Bank of Namibia</td>
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<tr>
<td>ECA</td>
<td>United Nations Economic Commission for Africa</td>
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<tr>
<td>EIG</td>
<td>Emergency Income Grant</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
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<td>GRN</td>
<td>Government of the Republic of Namibia</td>
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<tr>
<td>IUMP</td>
<td>Industrial Upgrading and Modernization Scheme</td>
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<td>MIT</td>
<td>Ministry of Industrialisation and Trade</td>
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<tr>
<td>MSMEs</td>
<td>Micro, Small, and Medium-sized Enterprises</td>
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<tr>
<td>NAD</td>
<td>Namibian Dollar</td>
</tr>
<tr>
<td>NIESED</td>
<td>National Policy on Informal Economy, Start-ups, and Entrepreneurship Development</td>
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<td>NSA</td>
<td>Namibia Statistics Agency</td>
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<tr>
<td>PPE</td>
<td>Personal Protective Equipment</td>
</tr>
<tr>
<td>SACU</td>
<td>Southern African Customs Union</td>
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<td>SADC</td>
<td>Southern African Development Community</td>
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<tr>
<td>SDG</td>
<td>Sustainable Development Goals</td>
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<tr>
<td>SMEs</td>
<td>Small and Medium-sized Enterprises</td>
</tr>
<tr>
<td>SDGs</td>
<td>Sustainable Development Goals</td>
</tr>
<tr>
<td>ECA SRO-SA</td>
<td>Sub-regional office for Southern Africa</td>
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<tr>
<td>UNDA</td>
<td>United Nations Development Account</td>
</tr>
<tr>
<td>USD/US$</td>
<td>United States Dollar</td>
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<tr>
<td>VAT</td>
<td>Value Added Tax</td>
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<tr>
<td>ZAR</td>
<td>South African Rand</td>
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ACKNOWLEDGEMENTS

This country report is a deliverable of the project titled “Global initiative towards post-COVID-19 resurgence of the MSME Sector”, or the MSME Surge project that was funded by the United Nations Development Account 13th tranche from 2020 to 2022. The project brought together the United Nations Conference on Trade and Development, UN Department of Economic and Social Affairs and the five UN regional economic commissions including the United Nations Economic Commission for Africa, through its Sub-regional office for Southern Africa (ECA SRO-SA) based in Lusaka, Zambia.

The country report for Namibia was authored by Daniel Oherein, ECA SRO-SA consultant, who led the conduct of the survey in Namibia, with a team of enumerators, working under the overall coordination of Mads Knudsen, lead ECA SRO-SA consultant from Vanguard Economics Ltd. The report was prepared under the direct supervision of Bineswaree Bolaky, Economic Affairs Officer, Sub-regional office for Southern Africa working under the overall guidance of Isatou Gaye, Chief, Sub-regional Initiatives Section.

This country report is one of 11 country reports assessing the impact of Coronavirus Disease 2019 and the Ukraine crisis across the member states of ECA SRO-SA which comprise of Angola, Botswana, Eswatini, Lesotho, Malawi, Mauritius, Mozambique, Namibia, South Africa, Zambia and Zimbabwe. The report is a joint collaboration between ECA SRO-SA, the SADC Business Council and the Namibia Chamber of Commerce and Industry. Special thanks are expressed to Peter Varndell, Chief Executive Officer, SADC Business Council and his team, and Charity Mwiya, Chief Executive Officer, Namibia Chamber of Commerce and Industry for their support and guidance on this initiative. The draft country report was presented and discussed at the Regional Meeting on Technology and Innovation for MSMEs in Southern Africa, 21-23 June, 2023 in Cape Town, South Africa, organised by the ECA SRO-SA and the SADC Business Council. The meeting was attended by senior government officials and private sector associations of ECA SRO-SA member states.

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Sincere thanks go to all the micro, small, and medium-sized enterprise owners who participated in the survey.
EXECUTIVE SUMMARY
The Namibian administration has undertaken numerous endeavours to bolster MSME development in Namibia, encompassing fiscal aid schemes, tax alleviation, aptitude enhancement projects, and fostering digital technology utilization. Notwithstanding these predicaments, Namibia's MSMEs have demonstrated tenacity and pliability, occupying a vital function in the nation's economic resurgence.

Investigations conducted in 2020 showed that those enterprises of all sizes confronted substantial hurdles, such as diminished capacity utilization, operational complications, and liquidity quandaries. The pandemic underscored the significance of technology and ingenuity for business recuperation and expansion.

This current study aimed to evaluate the repercussions of the COVID-19 pandemic and the Russia-Ukraine crisis on Namibia's MSMEs, concentrating on technology and innovation, trade, and regional integration. The research methodology incorporated online questionnaires, in-person interviews, social media activities, and collaboration with trade unions and municipalities. Convenience sampling was employed due to the absence of a comprehensive national business register, which may constrain the generalizability of the findings.

The findings emphasize the challenges encountered by MSMEs, including GDP growth oscillations, trade deficits, and an elevated dependence on micro-enterprises. The COVID-19 pandemic and the Russia-Ukraine crisis further affected the economy, resulting in inflation, exchange rate fluctuations, and global trade disruptions.

The Government of Namibia, through the Ministry of Industrialization and Trade (MIT), has implemented various support measures for Micro, Small, and Medium-sized Enterprises (MSMEs) in response to the COVID-19 crisis. These measures include financial assistance, tax relief, and economic stimulus packages, aimed at protecting jobs, supporting businesses, and maintaining economic stability.

The MIT has also collaborated with financial institutions to provide business relief loans and preferential interest rate loans to help MSMEs overcome the challenges posed by the pandemic. Furthermore, the government has distributed grants and kits to MSMEs, particularly in the informal sector and startups, and is actively working to enhance regional trade opportunities through its membership in the Southern African Development Community (SADC) and the African Continental Free Trade Area (AfCFTA).

Looking ahead, the government plans to focus on technology adoption by providing grants for equipment purchase, establishing technology hubs, and promoting e-commerce to boost the productivity of MSMEs. The MIT will continue its efforts to support entrepreneurship, innovation funding, and startup grants, while also working on introducing a National Policy on Informal Economy, Startups, and Entrepreneurship Development (NIESED) and revising the MSME National Policy.

These initiatives aim to create a conducive ecosystem for business growth and resilience in Namibia. Additionally, the government aims to promote local production through public procurement and is committed to sustaining ongoing support programs while planning strategic initiatives based on approved policies in a bid to strengthen the resilience of MSMEs in the country.
The study shows that Namibia's MSMEs are predominantly situated in urban zones, with the services sector being the most represented. Nevertheless, international trade remains a latent area for expansion. Workforce variations were contingent on the international trade engagement of enterprises, with import-centric businesses experiencing substantial revenue declines in 2020.

Throughout 2020 and 2021, 87% of MSMEs experienced adverse consequences due to the pandemic, while 8% reported no impact, and 5% observed a positive influence. The impact on international traders varied, with import-only businesses hit the hardest. Various aspects of business operations were affected, including stock of finished goods, sales, and production levels. MSMEs responded by ceasing operations, lowering production levels, or investing in new technologies.

Overall revenue growth experienced a significant decrease of 40% in 2020 due to the impact of COVID-19. However, MSMEs witnessed a recovery in 2021 with 0% growth, followed by a 16% increase in 2022. When examining revenue growth by sector, all sectors showed improvement in 2021 and 2022, with industry and services recovering more significantly.

The Russia-Ukraine crisis adversely impacted 57% of the surveyed MSMEs in Namibia, with small and medium-sized businesses confronting more significant challenges. Businesses engaged in both importing and exporting encountered the most substantial obstacles. MSMEs adopted strategies such as concentrating on the domestic market, lowering production levels, or securing loans to cope with the crisis. Some explored technology adoption during the pandemic, with a mere 10% of businesses adopting novel tools and processes. Nevertheless, 18.6% of the surveyed MSMEs introduced new products, and 7.2% ventured into new markets. Businesses underscored the need for financial backing and access to affordable internet, to invest in innovation and cutting-edge technologies.

Challenges in international trade encompassed lack of finance, elevated transport expenses, and regulations. As solutions, businesses proposed improving access to finance, reducing taxes, and providing support to facilitate exporting and importing. Awareness of trade agreements, particularly the African Continental Free Trade Area (AfCFTA), was low, indicating a need for amplified awareness.

The majority of entrepreneurs displayed optimism regarding their future financial situation. However, addressing areas of support, such as capital access, fortifying local production, and refining regulations, is imperative for the growth and success of MSMEs in Namibia. Policymakers should focus on these areas and devise targeted interventions to foster a favorable business environment for growth and development.

The MSMEs in Namibia have experienced significant growth and become influential across various sectors. Nonetheless, the COVID-19 pandemic and the ongoing Russia-Ukraine crisis have presented unparalleled challenges to the MSME sector. The pandemic led to reduced consumer demand, disrupted supply chains, and limitations on business operations, particularly in sectors such as tourism, hospitality, and retail. The war contributed to geopolitical uncertainty, volatility in financial markets, and rising commodity prices, further impacting MSMEs in Namibia.
1. INTRODUCTION

Over the past few years, Namibia has witnessed a remarkable surge in the growth and influence of Micro, Small, and Medium Enterprises (MSMEs). According to the Namibian Ministry of Industrialisation and Trade (MIT), there were an estimated 160,000 MSMEs in Namibia in 2015, accounting for approximately one third of the nation’s workforce and contributing approximately 12% to the Namibian GDP and employing over 60% of the workforce.¹

Several elements have propelled the growth of MSMEs in Namibia. Primary among these is the recognition by the Government of the Republic of Namibia (GRN) of the crucial role MSMEs play in the economy. To foster their growth, the government has launched several supportive policies and initiatives, including a national policy in 2016 focused on enhancing MSME development.

Moreover, MIT has spearheaded a series of entrepreneurial programs, including extensive capacity-building projects and business advisory services, significantly fortifying the MSME environment.

Under the framework of the Harambe Prosperity Plan II, the government has committed N$128 million to create a supportive atmosphere for MSMEs as part of the MSME Financing Strategy. This commitment also involves establishing a comprehensive National MSME Fund aimed at fostering a well-coordinated enterprise development value chain.²

The fund is made up of a credit guarantee scheme, a mentoring and coaching programme, skills lending facility, and a public venture capital fund. The government has collaborated with key partners experienced in securing funding from the private financial sector, ensuring alignment with legislative provisions for enterprise and supplier development. The Namibian Investment Promotion and Development Board is leading the strategy's implementation, with support from the Development Bank of Namibia.

As Namibia continues to chart its path towards sustainable development, MSMEs will undoubtedly play a critical role in shaping the nation's economic landscape. By fostering a thriving ecosystem that nurtures innovation, encourages competitiveness, and supports inclusive growth, the country can harness the full potential of its MSMEs to drive positive change and improve the lives of its citizens.

1.1 Background of the study

This study is part of a series of 11 country-level studies and a regional study, commissioned by the United Nations Economic Commission for Africa -Sub Regional office for Southern Africa (ECA SRO-SA) to assess the impact of the recent COVID-19 pandemic and Ukraine crisis on the MSMEs of its 11 member states, Angola, Botswana, Eswatini, Lesotho, Malawi, Mauritius, Mozambique, Namibia, South Africa, Zambia and Zimbabwe.

This particular country study presents the outcome of the survey in Namibia, and constitutes a deliverable under the UNDA 13th tranche project titled “Global initiative towards the post-COVID-19 MSME sector”, whose aims are to facilitate the resurgence, and strengthen resilience of MSMEs in developing countries and economies in transition, to mitigate the economic and social impact of the global COVID-19 crisis and to facilitate the contribution of MSMEs to the implementation of the SDGs, especially through increased access to technology, innovation, and markets.

Whilst the COVID-19 crisis has been a dominant factor for MSME performance in Namibia in the last few years, the current war in Ukraine is also having global ramifications which should be assessed in the context of MSMEs in the region. Furthermore, the African Continental Free Trade Area (AfCFTA) is expected to have an increasing impact in the years to come.

The survey assessed the impact of both COVID-19 and the current Russia-Ukraine crisis on MSMEs in Namibia such as the impact on MSMEs’ ease to produce, trade and to do business as well as identified new opportunities to enhance their resilience and competitiveness as they move forward.

The COVID-19 pandemic has had an unprecedented impact on Namibia’s economy and has worsened pre-existing socio-economic challenges the country battles, particularly in regards to severe multidimensional poverty of 43.3%; high youth unemployment of 46.1%; and high inequality level of 56.0. The impact of the pandemic on the economy affected all sectors and resulted in a high fiscal deficit of 8.6% of the GDP for fiscal year 2021/2022.

The lasting effects of the pandemic and the ongoing Ukraine crisis hinder Namibia's growth, despite a 3.5% increase in 2022 driven by mining, manufacturing, and service sector recovery. Socioeconomic conditions remain challenging, with employment and poverty rates not yet returning to pre-pandemic levels. Inflation reached 6.1% in 2022, affecting vulnerable populations. Global and regional developments impact Namibia's economic performance, as the country relies on commodity exports and SACU transfers. Both the pandemic and the Russia-Ukraine crisis have negatively influenced socio-economic progress and increased food insecurity risks.

### 1.2 Objectives of the study

The primary purpose of the study is to determine the impact of both the COVID-19 pandemic and the Russia-Ukraine crisis on MSMEs in Namibia, differentiate any varying impacts between these two crises, and identify possible mitigating policy options. These options emphasize technology and innovation, trade considerations such as access to markets and supply chain disruptions, and regional integration. The study seeks to gauge the effects of the COVID-19 pandemic on MSMEs, particularly operational obstacles, workforce changes, and financial outcomes. The impact of the Russia-Ukraine crisis on MSMEs is another focus, especially regarding supply chain interruptions and heightened operational costs. The study also aims to pinpoint the strategies that MSMEs have implemented to adapt and enhance resilience in the face of these challenges.

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1.3 Research methodology

Definitions of MSMEs In Namibia

In Namibia, the MIT categorizes MSMEs based on staff size and annual turnover. According to these parameters, micro-enterprises have 1-10 permanent employees and/or an annual turnover of up to N$ 300,000. Small enterprises have 11-30 permanent employees and/or an annual turnover ranging from N$ 300,001 to N$ 3,000,000. Medium enterprises, on the other hand, employ between 31-100 staff and/or generate annual revenue between N$ 3,000,001 and N$ 10,000,000.

In March 2022, a detailed business establishment census was published, adhering to MIT's guidelines. The census collected vital business information, such as name, economic activities, turnover, location, and employment data. This information is essential for accurately identifying each business's role in the economy and providing a reference for statistical sampling.

However, there were limitations to the census. It did not include micro-businesses operating in open markets or communal farming activities, and it also excluded business establishments attached to household structures, even if legally registered. As a result, the census likely overlooked several professional business services operating from private homes.

Past studies to measure the impact of the COVID-19 pandemic on the MSME and informal sector\(^7\) in Namibia employ some form of survey methodology, combining a structured research instrument i.e., questionnaire with online or telephone data collection methods.

### Table 1: Past studies on impact of COVID-19 pandemic on businesses

<table>
<thead>
<tr>
<th>Title of Study</th>
<th>Author(s)</th>
<th>Date published</th>
<th>Sample population</th>
<th>Sample technique</th>
<th>Sample size (n)</th>
<th>Data collection</th>
<th>Data collection time frame</th>
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</thead>
<tbody>
<tr>
<td>Survey of COVID-19 Effect on selected businesses (Round 1)</td>
<td>Namibia Statistics Agency</td>
<td>May-20</td>
<td>NSA list of 546 businesses; Formal sector</td>
<td>Convenient sampling</td>
<td>226</td>
<td>On-line; Telephone</td>
<td>30 April to 11 May 2020</td>
</tr>
<tr>
<td>Survey of COVID-19 Effect on selected businesses (Round 2)</td>
<td>Namibia Statistics Agency</td>
<td>Sep-20</td>
<td>NSA list of 619 businesses; Formal sector</td>
<td>Convenient sampling</td>
<td>362</td>
<td>On-line; Telephone</td>
<td>27 July to 7 August 2020</td>
</tr>
</tbody>
</table>

\(^7\) Informal businesses is defined in Namibia solely by whether the business is registered with the Social Security Commission or not.
All the studies made use of convenient sampling, a technique that is often preferred in the absence of a national business register containing the entire population of businesses in the country. Without such a register, probability sampling is impossible, therefore necessitating the use of non-probability samples.

**Survey Methodology**

The research methodology for this survey of MSMEs in Namibia comprised of a mixed-method approach, utilizing online questionnaires, face-to-face interviews, social media campaigns, and collaboration with trade associations and municipalities.

Given the limitations of past studies and the absence of a comprehensive national business register, the use of convenience sampling was deemed appropriate. This non-probability sampling technique allows for the inclusion of a diverse range of businesses despite the lack of a complete list of MSMEs in the country.

**Questionnaire Development**

The questionnaire for this survey was designed by the ECA SRO-SA to gather comprehensive and relevant information from MSMEs across Namibia. It was developed out of the generic questionnaire prepared for all the participatory Southern African countries.

The questionnaire was pre-tested and refined for Namibia to ensure clarity and relevance. It was coded electronically in SurveyCTO software, allowing enumerators to collect data using tablets, smartphones, or laptops, both online and offline. Offline data were synchronized with the database when internet access was available.

**Data Collection Methods**

Four data collection methods were employed to ensure a diverse and representative sample in the study: an email and SMS campaign, face-to-face interviews, social media campaigns, and outreach through trade associations and municipalities. This broad approach targeted MSMEs in Namibia and aimed to understand their experiences during the COVID-19 pandemic and the Russia-Ukraine crisis.

However, the research methodology had several limitations. The use of convenience sampling could potentially create a non-representative sample of Namibian MSMEs, limiting the findings' generalizability. The absence of a comprehensive national business register also restricted the ability to use probability sampling techniques. Some MSMEs, especially micro-businesses and those operating from private homes, might have been overlooked due to inadequate contact information. Finally, the data collected might contain response bias, with participants potentially presenting their businesses more favorably or exaggerating challenges.

Despite these limitations, the study can provide valuable insights into the challenges MSMEs in Namibia face and to inform future policy recommendations for support and interventions.

In the next section Namibia’s country context is presented followed by the profile of the surveyed MSMEs in section 3. Section 4 presents the impact on MSMEs sales and staff numbers, section 5 presents the current challenges of MSMEs, and section 6 presents the impact and response to COVID-19. Section 7 presents the impact and response to the Russia-Ukraine crisis, section 8 presents challenges and opportunities in technology uptake, and section 9 presents the challenges and opportunities in international trade and regional integration. Section 10 presents the outlook for the future and requests from businesses, and section 11 concludes and presents the recommendations.
2. NAMIBIA – COUNTRY CONTEXT

This section analyses the economic context of Namibia and the government’s response to COVID-19 pandemic.

Key findings:

- The services sector constitutes a significant part of Namibia's economy, contributing to more than 50% of the country's GDP in 2021 and employing more than 60% of the workforce. This demonstrates a shift towards a more diversified and modern economy.
- The agricultural and industrial sectors, while smaller in comparison to the services sector, still play a vital role in the economy, contributing 9.5% and 25.3% respectively to the country’s GDP, respectively, in 2021. However, these sectors have seen significant fluctuations in their GDP contribution over the period from 2015 to 2021.
- Micro, small, and medium-sized enterprises (MSMEs) form a significant portion of Namibia's economy, with over 90% of businesses being micro-enterprises. This could represent both opportunities and challenges for economic growth and resilience.
- The economic impact of the COVID-19 pandemic and the Russia-Ukraine crisis have been significant, affecting the exchange rate, inflation, and trade dynamics. However, the Namibian economy began to recover in 2021, and its GDP growth rate was projected to reach 4.6% in 2022.
- Namibia has consistently experienced a trade deficit, with imports surpassing exports. The imbalance was particularly marked in 2021 when imports began to recover faster than exports post COVID-19 pandemic.
- The Government of the Republic of Namibia has taken several steps to support the MSME sector, including financial assistance programs, tax relief, capacity-building initiatives, promoting local supply chains and digital technologies, and ensuring continued support amidst global disruptions like the pandemic and the Russia-Ukraine crisis.
- As part of its strategy to support MSMEs, the government has also introduced the National Policy on Informal Economy, StartUps and Entrepreneurship Development (NIESED) focusing on a viable ecosystem for entrepreneurship and a sustained strategy to support business growth and resilience.
- Namibia’s memberships in regional trade blocs like the Southern African Development Community (SADC) and the African Continental Free Trade Area (AfCFTA) offer opportunities for enhancing participation in regional trade and supporting MSMEs’ access to regional markets.
- The government is leveraging technology to aid MSMEs, including grants for equipment, establishing technology hubs, and promoting e-commerce to foster innovation and enhance productivity.
- The MITSMED, through various programs and initiatives, is working towards further strengthening of MSME resilience, promoting local production of goods and services, and fostering entrepreneurship in the country.

2.1 Economic Context

The services sector, comprising 58% of Namibia's Gross Domestic Product (GDP), was the primary instigator of the country's economic expansion prior to the pandemic. The onset of COVID-19, however, had a deleterious impact on the sector, contributing to a subsequent contraction in the overall GDP.
Upon examining Figure 2.3, it is evident that the contributions of various sectors towards the country's GDP growth from 2015 to 2021 varied significantly. The three sectors making the most substantial contributions were agriculture, industry, and services, with the 2021 GDP sector composition being as follows: Agriculture (9.5%), Services (57.7%), and Industry (24.9%) (Figure 2.2).

The agricultural sector's contribution to the growth of Namibia's GDP has exhibited marked fluctuations over this period. Its contribution declined by 0.8% in 2015 before experiencing a modest uptick of 0.2% in 2016. A decrease of 0.6% in 2017 was then followed by incrementally positive growth rates of 0.4% in 2018, 0.9% in 2019, -0.6% in 2020, and finally an increase of 0.4% in 2021 (Figure 2.3).

Similarly, the industry sector's contribution to GDP growth has also varied considerably. After a decline of 1.7% in 2015, there was a minor increase of 0.3% in 2016. A subsequent contraction of 0.4% in 2017 was followed by a 0.2% increase in 2018, and a subsequent decline of 0.6% in 2019. The sector's contribution increased by 0.6% in 2020 but contracted significantly by 3.1% in 2021 (Figure 2.3).

The services sector has proven instrumental in driving Namibia's GDP growth. Despite a contraction of 3.1% in 2015 and 3.3% in 2016, the sector bounced back with a positive contribution of 1.1% in 2017, followed by a robust 4.2% increase in 2018. This growth trajectory continued with a 1.3% increase in 2019, a minor decline of 0.5% in 2020, and a positive contribution of 1.4% in 2021 (Figure 2.3).

Over the past three years, the Namibian economy has undergone significant fluctuations, particularly in the areas of exchange rates, inflation, and trade.

The exchange rate of the Namibian Dollar (NAD), pegged to the South African Rand (ZAR) on a 1:1 ratio, experienced a decrease in 2020. This was largely due to the impact of the COVID-19 pandemic, which resulted in a global economic slowdown, decreasing demand for South African and Namibian exports, and leading to a depreciation in the value of both currencies. However, by 2022, the exchange rate started to rebound, reflecting the gradual recovery of the global economy.

Regarding inflation, the impact of the COVID-19 pandemic was also apparent, as global supply chain disruptions led to increased import prices, contributing to higher inflation in Namibia. This situation was exacerbated by domestic production shortfalls due to pandemic-related lockdowns and restrictions. Inflation continued to rise in 2021 and 2022, even as the economy began to recover. This was influenced by factors such as higher global commodity prices, continued supply chain disruptions, and uncertainties stemming from the 2022 Russia-Ukraine crisis, which led to higher energy prices.

Namibia's trade dynamics have consistently exhibited a deficit over recent years, with imports surpassing exports. This trade imbalance reached a significant point in 2020 when both imports and exports declined due to the economic disruptions caused by the COVID-19 pandemic. In 2021, as imports began to recover faster than exports, the trade deficit widened further, underscoring structural issues in Namibia's international trade.

In summary, the past three years have been marked by fluctuations in Namibia's exchange rate, rising inflation, and a persistent trade deficit. These trends underscore the interconnectedness of Namibia's economy with global events and highlight the ongoing challenges in maintaining economic stability amidst global disruptions.
In Namibia, the services sector plays a significant role in the economy, employing 61.75% of the workforce, while the agriculture sector accounts for 21.85% of employment and the industry sector represents 16.4% of the workforce (Figure 2.7).

The prominence of the services sector in Namibia's economy highlights its importance in generating income, providing employment opportunities, and driving economic growth. As the largest employer, the services sector not only supports the livelihoods of a significant proportion of the population but also contributes to the overall economic stability of the country. Furthermore, this dominance of the services sector indicates a shift towards a more diversified and modern economy that is less reliant on traditional industries like agriculture and manufacturing.

In the context of micro, small, and medium-sized enterprises (MSMEs), over 90% of businesses in the country are micro-enterprises, as presented in Figure 2.8. Micro-enterprises, defined as those with 0-4 employees, account for 91.2% of businesses, small enterprises (5-20 employees) represent 6.4% of businesses, and medium-sized enterprises (21-100 employees) constitute 2.4% of businesses (Figure 2.8). This distribution points towards the economy's reliance on very small businesses, potentially presenting both opportunities and challenges for economic growth and resilience.

This distribution of MSMEs in Namibia indicates that the economy is largely reliant on very small businesses, with micro-enterprises being the backbone of the private sector. This structure can present both opportunities and challenges, as micro-enterprises may be more agile and adaptable, yet they may also face unique challenges in terms of access to resources, financing, and growth opportunities.

Namibia's economy began to recover in 2021, with an annual GDP growth rate of 3.5% (Figure 2.1). This recovery can be attributed to the easing of pandemic-related restrictions and the resumption of economic activities in various sectors, including services, industry, and agriculture.

The Russia-Ukraine crisis in 2022 has affected global economies, including Namibia's. The crisis has led to fluctuations in the exchange rate, which decreased in 2020 before rising again in 2022 (Figure 2.4). The inflation rate has also been on an upward trajectory since 2020, which could have been further exacerbated by the crisis (Figure 2.5).

Despite the challenges posed by the Russia-Ukraine crisis, Namibia's GDP growth rate was projected to reach 4.6% in 2022 (Figure 2.1). This positive outlook indicates that the country is adapting to the global economic situation and is poised for recovery and growth.

2.2 Government response

In light of these challenges, the Government of Namibia has taken several steps to support the MSME sector. These measures include financial assistance programs, tax relief, and targeted capacity-building initiatives designed to help businesses adapt to the changing economic landscape. Additionally, efforts have been made to strengthen local supply chains, promote Namibia’s MSMEs via international trade forums, and promote the use of digital technologies, enabling MSMEs to better navigate the disruptions caused by the pandemic and the ongoing crisis.

The Government of Namibia, through the Ministry of Industrialization and Trade, has introduced a number of support measures for Micro, Small and Medium-sized Enterprises (MSMEs) in response to the COVID-19 crisis.
At the start of the pandemic in 2020, the government provided financial assistance to MSMEs through a number of schemes, including the COVID-19 Relief Fund, the COVID-19 Business Recovery Grant, and the COVID-19 Enterprise Development Grant. The Government also provided tax relief to MSMEs through a number of measures, including the suspension of the payment of Value Added Tax (VAT) on certain goods and services, the extension of the deadline for filing tax returns, and the reduction of the corporate tax rate.

In April of 2020, the Government also introduced an NAD 8.1 billion (approximately US$ 507 million) economic stimulus and relief package. This package aimed to protect jobs, support businesses, and maintain the country's economic stability. It included initiatives such as loan guarantees, wage subsidies, and support for businesses in critical sectors.

Specifically, the government introduced the Emergency Income Grant (EIG) as a one-time payment of NAD 750 (approximately US$ 47) to Namibians who lost their jobs or income due to the COVID-19 pandemic. This grant helped support individuals, including those working in the informal sector and small business owners (Oherein, 2021).

The Development Bank of Namibia (DBN)8 also launched COVID-19 business relief loans on 18 January 2021. Under this scheme the bank provided financial support for a period of 3 to 6 months to enterprises affected by COVID-19.

The Bank of Namibia, in collaboration with the Ministry of Finance, also launched a loan scheme to support SMEs affected by the COVID-19 crisis or those faced with challenging economic conditions in recent years, like those resulting from the Russia-Ukraine crisis. This program provided loans at preferential interest rates and flexible repayment terms to help businesses stay afloat during the pandemic9.

In addition to the above, during this same period the MIT10 introduced the COVID-19 Emergency Measures (Startup Survival Grants, Hygiene and PPE Kits, Digital Kits) and these were distributed to 600 MSMEs with greater importance placed on the informal sector and startups. The grants were rolled out effectively although outreach was constrained due to location of beneficiaries in certain regions.

The MIT has not introduced specific additional measures but will continue to roll out its key programmes in 2023 in terms of entrepreneurial skills through the Entrepreneurship and Technology Enhancing Entrepreneurship Development Programme (EMPRETEC Namibia), innovation funding through the SDG Impact Facility, and startup grants through the Equipment Aid Scheme as well as support to established MSMEs through the Industrial Upgrading and Modernization Scheme (IUMP).

Namibia is a member of the Southern African Development Community (SADC) and the African Continental Free Trade Area (AfCFTA). These memberships provide Namibia with a number of opportunities to enhance regional trade and support MSMEs in accessing regional markets. Some of the initiatives that Namibia is undertaking to leverage its membership of SADC and the AfCFTA via the MITSMED, include working with other partners and donors to mainstream specific training and interventions that equip entrepreneurs.

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9 Response provided by Sescillia of Bank of Namibia, MSMEs Programme Division
10 Responses provided by Dr Michael Humavindu, Executive Director, Ministry of Industrialization and Trade (MIT) to qualitative questionnaire sent to government institutions.
Namibia is also working on key interventions such as schemes focused on informal traders trading across the borders, leveraging SACU industrial rebates facilities, introducing special economic zones, and promoting bilateral and industrial value chains at both SACU and SADC level as well as training businesses in key areas such as SADC’s rules of origin, standards, and trade finance.

The Ministry is also assessing the right regional programmes to develop that can allow it to approach the right donors for further support. The recently launched Implementation Strategy on AGOA is also worth mentioning.

The government is planning to provide MSMEs with access to technology by providing grants for the purchase of equipment, establishing technology hubs, and promoting e-commerce. This will help MSMEs to adopt new technologies and improve their productivity. The MITSMED is also playing a great role in this direction by introducing the SDG Impact Facility which supports the promotion of businesses in the innovation and technology fields. The ministry is also finalizing and priming for sustainability the StartUp Namibia and the Digital Centre which will ensure the development of startups especially in the field of innovation and technology. This is to ensure that aspects of product and process innovation are addressed.

The Government of Namibia via the MIT is currently planning to undertake a number of initiatives to strengthen the resilience of MSMEs in the country. The Ministry is working on introducing a National Policy on Informal Economy, StartUps and Entrepreneurship Development (NIESED) which will focus on ensuring a viable ecosystem that supports entrepreneurship, and a sustained strategy to support business growth and resilience in Namibia. Additionally, the ministry is revising the 2016-2021 MSME National Policy. The ministry collaborated with the Ministry of Finance and Public Enterprises and released a policy in January 2023 that promotes public procurement of locally produced goods and services.

Further strategic initiatives are to be undertaken upon the approval of the NIESED and revised MSME Policy. Current support programmes will always continue if resources permit.
2. MACRO ECONOMIC DATA

Namibia GDP, which is at 12.35 Billion US$ (current prices) has known a decrease in growth since 2015, except in 2018. COVID-19 had substantial impact on Namibia's economy. The services sector, which accounts for 58% of the GDP, has been driving the growth of the economy.

The exchange rate decreased in 2020, before rising again in 2022, while the inflation rate has been rising since 2020.

In Namibia, the Services sector employs the majority of the population.

More than 90% of the businesses are micro-enterprises.

Source: Namibia Statistics Agency

Source: World Development Indicators

Source: Trading Economics

Source: World Development Indicators

Source: World Development Indicators

Source: World Development Indicators
3. PROFILE OF SURVEYED MSMEs

Key findings:

- The vast majority (85%) of the surveyed MSMEs in Namibia are located in urban areas, particularly in the Khomas region, indicating potential disparities in resource access and infrastructure between urban and rural areas (Figure 3.1).
- The MSME landscape in Namibia is active and diverse, with 85% of the surveyed businesses operational (Figure 3.1), and 93% of them formal businesses (Figure 3.2.1).
- The sector is dominated by micro-enterprises (Figure 3.2.3), with most businesses small in scale and generating an annual turnover below US$ 25,000 (Figure 3.2.5).
- The services sector is predominant among MSMEs, followed by industry and agriculture sectors, representing a range of opportunities within the Namibian economy (Figure 3.2.4).
- Most businesses have been established in the last decade, but international trade remains an untapped area for growth, with only a minority of businesses engaged in import/export activities (Figure 3.2.7).
- The majority of businesses are owned by Namibian nationals, with a slight male ownership predominance and a majority owned by non-youth (Figure 3.3).
- Diverse roles were reported among survey participants, indicating varied involvement and responsibility levels within the enterprises (Figure 3.3.4).

The demographics of the surveyed MSMEs in Namibia provide valuable insights into the landscape of the sector. A total number of 447 businesses were surveyed. As presented in Figure 3.1, the majority of the surveyed businesses are located in urban areas, with 85% of them being urban based, while the remaining 15% operate in rural areas. The concentration of MSMEs in urban areas indicates that these businesses may have better access to resources, infrastructure, and markets, which contributes to their growth and sustainability.

Out of the total 447 surveyed businesses, 381 (around 85%) are operational, while 66 (approximately 15%) are non-operational (Figure 3.1). The relatively high percentage of operational businesses suggests that the MSMEs landscape in Namibia is active, with a significant number of businesses contributing to the economy (Figure 3.2).

The predominance of urban-based businesses indicates a need to address the challenges faced by rural businesses, such as limited access to resources, markets, and infrastructure. Supporting the growth of MSMEs in rural areas can promote balanced regional development and help reduce income disparities between urban and rural communities.

As presented in Figure 3.2, formal businesses make up 93% of the surveyed MSMEs, showing the dominance of formal enterprises in the sector. Most of these businesses are small in scale, with 89.2% being micro-enterprises employing between 0 and 10 employees, and the majority generating an annual turnover below US$ 25,000 (Figure 3.2).

Despite the prevalence of small businesses, the sector is varied, with MSMEs operating across various industries such as services, agriculture, and manufacturing (Figure 3.2.4). The services sector is the most represented, accounting for 82% of the surveyed businesses, while the industry and agriculture sectors represent 16% and 2%, respectively (Figure 3.2.4). This diversity illustrates the wide range of opportunities within the Namibian economy.
Furthermore, the survey reveals that most businesses have been established within the last 10 years, indicating a growing MSME sector in Namibia. International trade, however, remains an untapped area for growth, as 70% of the enterprises surveyed do not engage in trade activities. Only a small percentage participate in both import and export activities (6%), while 21% import only, and 2% export only (Figure 3.2.7).

Figure 3.3, provides insights into the demographics of the surveyed MSME owners in Namibia, showcasing a predominance of Namibian nationals, a slightly higher proportion of male ownership, and a majority of non-youth owners.

Namibians own 85% of the surveyed businesses, with full ownership by nationals. Conversely, 11.5% of the enterprises are entirely owned by foreigners, and only a small proportion is partially owned by nationals (2.1%) or less than 50% owned by nationals (0.8%) (Figure 3.3.1). This indicates a strong presence of local ownership in the Namibian MSME sector.

In terms of gender, 55% of the surveyed enterprises are owned by men, while 45% are owned by women (Figure 3.3.2).

Regarding age, 26% of the businesses are owned by youth, while 74% are owned by non-youth (Figure 3.3.3). This indicates that the majority of enterprises are owned by more experienced individuals, highlighting a potential need for support and opportunities targeting young entrepreneurs.

The survey participants held various roles within the enterprises, with 52.2% being sole owners, 20.2% staff, 13.6% co-owners, 11.3% managers, 4.5% board members, 1% principals, and 0.3% traditional authority councilors (Figure 3.3.4). This diversity in roles demonstrates the different levels of involvement and responsibility among MSME owners and stakeholders in Namibia.
3. PROFILE OF SURVEYED MSMEs

3.1 Enterprise location

447 businesses were surveyed and most are located in urban areas.

3.2 Operational enterprise demographics

The majority of businesses are formal, micro (0-10 employees) and in the services sector. More than half the businesses earn less than US$ 5k.

- **Figure 3.2.1: Formal vs. informal business**
- **Figure 3.2.2: Enterprise registered with association**
- **Figure 3.2.3: Size of enterprise by employees**

3.3 Owner demographics

Enterprises are predominantly owned by Namibians and slightly more male owned. The vast majority is owned by non-youth.

- **Figure 3.3.1: Nationality of owners**
- **Figure 3.3.2: Gender of owners**
- **Figure 3.3.3: Age of owners**
- **Figure 3.3.4: Respondent role in the enterprise**

The majority of the enterprises do not trade.
4. IMPACT ON MSME SALES REVENUE AND STAFF NUMBERS

This analysis demonstrates that the MSME landscape in Namibia is highly diverse and has been significantly affected by COVID-19.

Key findings:

- The COVID-19 pandemic severely impacted Namibian MSMEs, with a significant decline in 2020 revenue (Figure 4.1.1). Recovery was seen in 2022, with the industry and services sectors at the forefront (Figure 4.1.2).
- Micro-enterprises showed a better recovery than small and medium enterprises post-2020 revenue decline (Figure 4.1.3).
- Variations in revenue growth existed among international trading businesses, with import-only businesses showing the most significant drop and recovery (Figure 4.1.4).
- Revenue growth differed based on firms' age, with firms aged 5-10 years facing the biggest decline but also significant recovery (Figure 4.1.5).
- The pandemic caused part-time staff decreases across MSMEs, especially in non-trading companies (Figure 4.2.1).
- Permanent staff growth showed resilience with a general upward trend from 2020 to 2022, reflecting adaptation to pandemic circumstances (Figure 4.2.1).
- MSMEs involved in different forms of international trade showed varied staff growth patterns due to global trade fluctuations (Figure 4.2.2).

By size of business, micro-enterprises (0-10 employees) suffered a more considerable decrease in sales revenue (42%) in 2020 compared to small and medium enterprises (11-100 employees), which faced a 12% drop (Figure 4.1.3).

However, micro-enterprises displayed better recovery in 2021 (5%) and 2022 (17%) compared to small and medium enterprises which experienced stagnant growth (0%) in 2021 and a slight increase (2%) in 2022 (Figure 4.1.3).

In terms of international traders, importers and non-traders saw significant revenue decreases in 2020 (Figure 4.1.4). Non-traders experienced a 42% drop in 2020, followed by 0% growth in 2021 and a 17% increase in 2022. Export-only businesses saw an 18% decline in 2020 and stagnated at 0% growth in both 2021 and 2022. Import-only businesses faced a 50% drop in 2020, followed by a 25% rise in 2021 and an 18% increase in 2022. Businesses involved in both exporting and importing experienced an 11% decline in 2020 but remained stagnant at 0% growth in 2021 and 2022.

By age of the firm, enterprises aged four years and more observed a decrease in revenue growth in 2020 (Figure 4.1.5). Firms younger than one year experienced a 17% drop in 2020, followed by 0% growth in 2021 and 2022. Firms aged 1-3 years saw a 1% decline in 2020, followed by an 11% increase in both 2021 and 2022. Firms aged 4-5 years experienced a 4% drop in 2020, then stagnated at 0% growth in 2021 before increasing by 22% in 2022. Firms aged 5-10 years faced a 50% decline in 2020, followed by an 11% increase in 2021 and a 21% rise in 2022. Lastly, firms older than ten years saw a 44% drop in 2020, followed by 0% growth in 2021 and a 13% increase in 2022.

The analysis of median revenue growth for MSMEs in Namibia across all sectors indicates that these businesses faced significant challenges due to the pandemic in 2020 (Figure 4.1.1). However, they have shown a steady recovery in 2021 and 2022. Among the sectors, industry and services have experienced stronger recovery compared to agriculture (Figure 4.1.2).
The workforce fluctuations of micro, small, and medium-sized businesses (MSMEs) in Namibia have undergone remarkable changes between 2020 and 2022, owing to the influence of the COVID-19 pandemic (Figure 4.2). The complexities of staff growth have been influenced by multiple factors such as international trade and MSMEs’ operating sector.

When analyzing the overall staff growth, it is evident that part-time staff have faced consistent declines throughout the three years, with a plummet of 23.6% in 2020, trailed by a 3.7% drop in 2021, and a further 4.7% decrease in 2022 (Figure 4.2.1). This could be attributed to the unfavorable impact of the pandemic on businesses, leading to layoffs and reduced working hours. In contrast, permanent staff growth displayed resilience by recovering from a 8.5% drop in 2020 to a 5.8% rise in 2021, and then maintaining a 2.2% growth in 2022. This indicates that companies were adapting to the new normal and devising ways to sustain their operations.

Delving deeper into the international trading dimension of MSMEs, it becomes apparent that the growth patterns for part-time and permanent staff significantly vary between companies involved in importing only, exporting only, both imports and exports, and those that do not engage in international trade (Figure 4.2.2). Import-only MSMEs faced a 24% decline in part-time staff growth in 2020 but managed to recover with a 7% increase in 2021 and a 1% rise in 2022. The disruptions of global supply chains due to the pandemic could have contributed to these fluctuations.

Export-only MSMEs experienced a downward trajectory in part-time staff growth, with a 5%, 8%, and 16% decrease in 2020, 2021, and 2022, respectively (Figure 4.2.2). However, permanent staff growth remained relatively erratic, with a 6% increase in 2020, followed by a 7% drop in 2021, and a 4% increase in 2022. The vacillating demand for exports due to COVID-19 may have led to these fluctuations in staff growth.

Enterprises involved in both imports and exports witnessed fluctuations in both part-time and permanent staff growth, with part-time staff growth increasing by 7% in 2020, decreasing by 1% in 2021, and then rising by 16% in 2022 (Figure 4.2.2). Permanent staff growth exhibited a 19% increase in 2020, followed by a 15% increase in 2021, and an 8% decrease in 2022. The capriciousness of global trade during the pandemic may have contributed to these shifts.

Non-trading MSMEs observed a consistent dip in part-time staff growth, with a 32%, 1%, and 9% decrease in 2020, 2021, and 2022, respectively (Figure 4.2.2). Nonetheless, permanent staff growth displayed a 10% decrease in 2020, followed by a 6% increase in 2021, and a 3% increase in 2022, indicating that companies may have adapted their operations to the local market’s challenges during the pandemic.
4.1 Median Revenue Growth

Figure 4.1.1: Overall revenue growth
Businesses experienced a significant decrease in sales revenue in 2020 due to the impact of COVID, but have recovered in 2021 and 2022.

Figure 4.1.2: By sector
Businesses in all sectors performed better in 2021, but industry and services recovered more in 2022.

Figure 4.1.3: By size of business
In 2020, micro enterprises experienced a decrease in sales revenue more than small and medium enterprises, but they performed better in 2021 and 2022.

Figure 4.1.4: By international traders
Both importers and non-traders revenues significantly decreased in 2020.

Figure 4.1.5: By age of firm
Enterprises aged 4 years and more saw a decrease in revenue growth in 2020.
4.2 AVERAGE GROWTH CHANGES FOR STAFF

Figure 4.2.1: Overall staff growth

Part-time employees were laid off at a higher rate than full-time employees on average especially in 2020. The COVID-19 in 2020 had a significant impact on permanent employees.

Figure 4.2.2: By international traders

In 2022, importing businesses significantly cut off the number of permanent employees and increased the number of part-time employees.

Figure 4.2.3: By sector

In 2020, the services and industry sectors were more affected for both permanent and part-time employees. Part-time employees remained impacted in 2021 and 2022.
5. CURRENT CHALLENGES OF MSMEs

Key findings:

- Amidst the COVID-19 crisis, MSMEs confronted obstacles such as reduced demand, soaring inflation, and rising input costs (Figure 5). This varied across sectors, trade activities, and business sizes with difficulty in obtaining capital as the main cause of business shutdowns. Understanding these challenges is crucial for policy development focused on supporting MSMEs recovery in the post-pandemic economy.

The three most significant challenges include reduced demand for goods and services (46.7%), soaring inflation (31.8%), and rising input costs (27%) (Figure 5.1). Additional challenges experienced by the surveyed businesses consisted of regulatory hurdles (15.5%), difficulties in acquiring capital (22.8%), elevated interest rates (15.2%), excessive taxes (12.3%), challenges in procuring imported goods (8.4%), unwarranted government intervention (2.9%), limited access to skilled workforce (4.2%), technical limitations (3.9%), costly foreign currency (3.4%), and insecurity (1%).

Figure 5.2 shows factors leading to the shutdown of non-operating businesses. The survey reveals that the main obstacle, responsible for the closure of 66% of the 66 non-operating businesses among the 447 surveyed MSMEs, was the difficulty in obtaining capital. Other factors contributing to the closure include intense competition (7%), switching professions (6%), resource scarcity (6%), lack of skilled labor (4%), transportation problems (4%), unstable business conditions (4%), health-related issues (1%), and insufficient raw materials (2%).

A decline in demand for goods and services was the most widespread challenge across all sectors as shown in Figure 5.3. In agriculture, 14% of businesses experienced reduced demand for goods and services, 14% encountered input cost issues, and 57% dealt with inflation. In the industrial sector, 52% faced dwindling demand, 34% encountered input cost problems, and 27% dealt with inflation. For the service sector, 46% of businesses grappled with diminishing demand, 26% encountered input cost issues, and 32% dealt with inflation.

In the realm of international trade, as illustrated in Figure 5.4, the predominant challenges vary among business types. Enterprises engaged in both exporting and importing report challenges with low demand (25%), rising input costs (25%), and inflationary pressures (29%). In contrast, non-trading entities cite issues of depressed demand (49%), escalating input costs (25%), and inflation (30%). Businesses focusing exclusively on exports identify challenges such as diminished demand (44%), increased input costs (11%), and inflation (11%). Meanwhile, entities solely dedicated to imports highlight concerns of weak demand (46%), input cost escalation (36%), and significant inflationary pressures (42%).

When stratifying challenges based on enterprise scale, variations emerge correlatively. Small to medium-sized enterprises (SMEs) with 11-100 employees, predominantly grapple with a reduced appetite for goods and services (47%), surging input costs (28%), and inflation (31%). On the other hand, micro-enterprises with a workforce ranging from 0-10, predominantly face a receding demand curve (47%), heightened input costs (21%), and inflation (34%).
In a 2020 study examining the repercussions of COVID-19 on Namibia's informal sector, results showcased the extensive impact of the pandemic. Specifically, an overwhelming 85% of participants from the informal sector reported severe disruptions, primarily attributed to the drastic decrease in customers, thereby impeding their regular business operations compared to the pre-pandemic era. Intriguingly, 52% indicated a need for proficiency in online business management, while 44% expressed the desire for workers' training. Such data challenges the stereotype that informal business proprietors inherently possess limited educational backgrounds or expertise. Instead, it underscores a noteworthy trend: a growing number of these entrepreneurs are transitioning to and leveraging digital platforms and e-commerce mechanisms.

These insights underscore the multifaceted challenges MSMEs encountered amid the COVID-19 pandemic, across a spectrum of sectors, commercial engagements, and business scales. It is imperative for decision-makers to internalize these challenges to devise robust strategies, ensuring the resilience and prosperity of MSMEs in the evolving post-pandemic economic landscape.

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5. CHALLENGES

**Figure 5.1: Challenges faced by businesses**
Low demand for good and services, inflation and price of inputs are the main three challenges that surveyed businesses face.

- Low demand for goods and services (46.7%)
- Inflation (31.8%)
- Price of inputs (27.6%)
- Accessing Capital (22.8%)
- Regulations (15.5%)
- High interest rates (15.2%)
- High Taxes (12.3%)
- Hard to get imported goods (6.4%)
- Access to skilled labor (4.2%)
- Technical constraints (3.9%)
- Foreign currency is expensive (3.4%)
- Undue involvement from government officials (2.9%)
- Insecurity (1.0%)

**Figure 5.2: Why non-operating business closed**
Accessing capital is the main hurdle that propelled 66 businesses to close.

- Financial issues / Access to capital: 66%
- High competition: 7%
- Changed to new profession: 6%
- Lack of resources: 6%
- Access to skilled labor: 4%
- Transportation: 4%
- Unstable business environment: 4%
- Lack of raw material: 2%
- Health reasons: 1%

**Figure 5.3: Main challenges by sector**
Low demand of goods and services is most prevalent in industry and services sectors.

**Figure 5.4: Main challenges by traders**
Low demand of goods and services and inflation are the main challenges among importers.

**Figure 5.5: Main challenges by size of business**
Low demand of goods and services and inflation are the main challenges faced by MSMEs regardless of the size.
6. IMPACT AND RESPONSE TO COVID-19

Key findings:

- The COVID-19 pandemic negatively impacted 87% of MSMEs in Namibia, irrespective of their size, largely due to reduced consumer demand, supply chain disruptions, and business operation restrictions (Figure 6.1).
- Import-only businesses were most severely affected, while export-only businesses fared slightly better. Businesses engaged in both import and export had a varied experience (Figure 6.3).
- Various business aspects like stock of goods, sales, production levels, number of employees, and client count faced declines. Businesses' ability to pay salaries and cover expenses was also affected (Figure 6.4).
- Businesses responded in diverse ways, including shutting down operations, laying off staff, investing in technology, and shifting to domestic markets (Figure 6.5).
- Challenges like inflation, low demand, and high input costs intensified for businesses in 2020 due to the pandemic (Figure 6.6).

The COVID-19 pandemic severely impacted the surveyed MSMEs in Namibia, with 87% facing negative repercussions between 2020 and 2021 (Figure 6.1). Reduced consumer demand, disrupted supply chains, and lockdown-imposed business restrictions were significant contributing factors. These pressures greatly strained businesses, particularly those with limited resources (Figure 6.4).

However, in 2022, 14% of MSMEs reported no impact, suggesting successful adaptations or less affected industry operations, while 7% benefited from shifting consumer needs and habits during the crisis.

The COVID-19 pandemic has influenced MSMEs in Namibia across various sizes, with both micro and small and medium-sized businesses experiencing comparable impacts (Figure 6.2). As depicted in Figure 6.2, micro enterprises, as well as small and medium-sized businesses, registered an 87% negative impact due to the pandemic. In both categories, 8% of businesses reported no impact, while 5% experienced a positive impact. These findings suggest that the pandemic-induced challenges have been felt across the spectrum, regardless of business size.

While the majority of businesses in both categories faced negative consequences, a small percentage managed to remain unaffected or even benefit from the pandemic. This could be attributed to their ability to adapt swiftly or operate in industries that were not severely affected by the crisis.

Figure 6.3 illustrates that the COVID-19 pandemic has had varying impacts on MSMEs in Namibia, depending on their engagement in international trade. The survey data indicates that businesses involved in import-only activities were hit the hardest, with 90% reporting a negative impact. Only 4% of these businesses experienced no impact, and 6% reported a positive impact.

In comparison, export-only businesses fared somewhat better, with 78% experiencing a negative impact and a substantial 22% reporting no impact. Interestingly, none of the export-only businesses indicated a positive impact due to the pandemic.
Businesses engaged in both import and export activities also encountered challenges, with 79% reporting a negative impact. However, 8% of these businesses experienced no impact, and 13% reported a positive impact, possibly due to their ability to diversify and adapt to changing market conditions. For MSMEs that do not engage in international trade 87% experienced a negative impact, 9% experienced no impact, and 3% reported a positive impact.

The COVID-19 pandemic has considerably impacted various aspects of MSMEs' business operations in Namibia, as demonstrated in Figure 6.4. Among the most affected areas, a substantial 79% of businesses reported a decrease in the stock of finished goods, while 10% experienced no change, and 10% observed an increase. Sales were also negatively affected, with 81% of businesses experiencing a decline, only 2% reporting no change, and 17% noting an increase.

Additionally, 73% of businesses experienced a drop in production levels, while 10% saw no change, and 17% reported higher production levels (Figure 6.4). The number of employees was also affected, with 57% of businesses reporting a decrease, 37% indicating no change, and 5% witnessing an increase. Moreover, 83% of businesses experienced a reduction in the number of clients, while 7% saw no change, and 9% reported an increase.

Net profits, loans, imports, and access to supplies were also negatively impacted (Figure 6.4). In terms of net profits, 82% of businesses reported a decrease, 9% experienced no change, and 10% saw an increase. For loans, 81% of businesses faced a decline, 9% noticed no change, and 10% reported an increase. 68% of businesses imports were affected, with 23% experiencing no change, and 9% reporting an increase.

As shown in Figure 6.4 the ability to pay salaries, and cover inputs and variable expenses were also affected by the pandemic. Most strikingly, the ability to pay salaries was affected for 83% of businesses, and a similar 83% found it challenging to cover in inputs and variable expenses due to the pandemic's repercussions.

As shown in Figure 6.5, the COVID-19 pandemic has prompted MSMEs in Namibia to respond in various ways to cope with the crisis. According to the survey, 30% of businesses ceased operating altogether. Additionally, 10.4% of businesses opted to lower their production levels in response to the pandemic.

Another strategy adopted by MSMEs was laying off staff, with 9.9% of businesses resorting to this measure (Figure 6.5). Similarly, 9% of businesses decided to stop paying their staff to manage the financial strain brought about by the pandemic. Some businesses, however, adopted more innovative approaches. For instance, 6.7% invested in new technologies to adapt to the changing business environment.

Furthermore, 6% of businesses increased their focus on e-commerce capabilities, while another 6% shifted their attention towards the domestic market (Figure 6.5). The pandemic also led to 5.1% of businesses transitioning to online work and working from home arrangements. Meanwhile, 4.6% of businesses decided to defer their planned investments as a precautionary measure.

Finally, 12.2% of businesses employed other strategies to navigate the challenges posed by the pandemic, showcasing the diversity of responses and adaptability of MSMEs in Namibia during this difficult period (Figure 6.5).
The survey on MSMEs in Namibia revealed that the main challenges faced by businesses have worsened since 2020 (Figure 6.6). Price rises are one such challenge, with 68% of respondents indicating that it has become more severe. Additionally, low demand for goods and services has intensified as a challenge, with a significant 85% of businesses agreeing that the situation has deteriorated.

Moreover, the cost of inputs has also become more problematic, as 65% of businesses reported that the prices of inputs have risen since 2020. Overall, the survey results as presented in Figure 6.6 suggest that the primary challenges confronting MSMEs in Namibia have indeed worsened since the beginning of the pandemic, further complicating the already difficult operating environment for these businesses.
6. IMPACT OF COVID-19

Figure 6.1: Extent of COVID-19 Impact
Most enterprises were negatively impacted by COVID-19 pandemic.

- Negative impact: 87%
- No impact: 7%
- Positive impact: 6%

How businesses were impacted in 2020 vs. 2021:
- 87% of businesses were impacted in 2020.
- 76% of businesses are still impacted in 2021.

Figure 6.2: Impact by size of business
Micro businesses experienced more negative effect of the pandemic.

- Negative impact: 87%
- No impact: 5%
- Positive impact: 5%

Micro vs. Small & Medium:
- Micro: 87% negative impact, 5% no impact, 5% positive impact.
- Small & Medium: 80% negative impact, 10% no impact, 10% positive impact.

Figure 6.3: Impact on international traders
Importers and non traders were more affected by the COVID-19.

- Import only: 70% negative impact, 20% no impact, 10% positive impact.
- Export only: 79% negative impact, 2% no impact, 1% positive impact.
- Both export & import: 90% negative impact, 0% no impact, 0% positive impact.
- Doesn't trade: 22% negative impact, 1% no impact, 77% positive impact.

Figure 6.4: Aspects of business affected by COVID-19
Number of clients, access to supplies, ability to pay salaries and for inputs and variable expenses were among the most affected business aspects.

- Lower
- No change
- Higher
- Stock of finished goods: 75%
- Sales: 81%
- Production level: 72%
- Number of employees: 67%
- Number of clients: 66%
- Net profits: 66%
- Loans: 66%
- Imports: 68%
- Exports: 96%
- Access to supplies: 62%
- Ability to pay salaries: 81%
- Ability to pay for inputs and variable expenses: 63%

Figure 6.5: How businesses responded to COVID-19
A third of the enterprises stopped operating during the COVID-19 pandemic.

- Stopped operating: 30.0%
- Lowering production: 10.4%
- Laying of staff: 3.6%
- Stopped paying staff: 9.0%
- Invested in new technologies: 6.7%
- Increased e-commerce: 6.0%
- Focused more on domestic market: 6.0%
- Started working more online and from home: 5.1%
- Deferring planned investments: 4.6%
- Others: 12.4%

- Found new domestic suppliers
- Found new export markets
- Taken on leases to bridge the time
- Found new foreign suppliers

Figure 6.6: Whether main challenges that businesses face have worsened since 2020
More than 80% of the businesses who faced low demand for goods and services believe that the challenge has worsened since 2020.

- Inflation: 68%
- Low demand for goods and services: 85%
- Price of inputs: 85%
7. IMPACT AND RESPONSE TO THE RUSSIA-UKRAINE CRISIS

The survey on MSMEs in Namibia highlights the extent to which the Russia-Ukraine crisis has affected businesses in the country. As shown in Figure 7.1, 57% of respondents reported experiencing a negative impact on their operations due to the crisis. This indicates that a majority of MSMEs in Namibia have been adversely affected by the geopolitical tensions between Russia and Ukraine.

On the other hand, 41% of businesses surveyed reported a positive impact, suggesting that some MSMEs might have found opportunities or benefits stemming from the crisis. A small percentage, just 2% of respondents, indicated that the crisis had no impact on their businesses (Figure 7.2).

Figure 7.2 shows the varying impact of the Russia-Ukraine crisis on MSMEs in Namibia. When it comes to micro businesses which are smaller in scale, 56% reported experiencing a negative impact due to the crisis. Interestingly, 42% of these micro businesses reported no impact at all, while a small percentage, just 2%, indicated a positive effect on their operations.

On the other hand, the impact of the crisis seems to be more pronounced among small and medium-sized businesses (Figure 7.2). In this category, 66% of respondents reported a negative impact on their operations. A significant 31% of these businesses stated that the crisis had no impact on their activities, and a small fraction, 3%, reported a positive effect.

Figure 7.3 sheds light on the impact of the Russia-Ukraine crisis on businesses based on their involvement in international trade. For businesses that focus solely on importing goods, 63% reported a negative impact due to the crisis, while 36% experienced no impact, and only 1% saw a positive effect.

When it comes to businesses that only export goods, the negative impact is slightly higher at 67%, with 22% reporting no impact and another 11% experiencing a positive outcome (Figure 7.3). Businesses engaged in both exporting and importing were hit the hardest, with 75% of them feeling the negative repercussions of the crisis. However, 17% of these businesses reported no impact, and 8% observed a positive effect on their operations.

Businesses that do not engage in international trade experienced a relatively lower negative impact, with 53% reporting adverse effects due to the crisis. Interestingly, a significant 45% of such businesses experienced no impact, and 10% even reported positive outcomes (Figure 7.3).

The Russia-Ukraine crisis has had a substantial impact on various aspects of MSMEs businesses in Namibia, as revealed by Figure 7.4. The stock of finished goods has been negatively affected for 82% of businesses, while 11% saw no change, and 7% experienced an increase. Sales suffered for 83% of businesses, with only 8% reporting no change and 9% witnessing higher sales.

In terms of production levels, 79% of businesses faced a decline, while 13% experienced no change, and 9% reported an increase (Figure 7.4). The crisis also impacted employment, with 63% of businesses reporting a decrease in the number of employees, 33% experiencing no change, and 3% seeing an increase. 80% of businesses reported a change in the number of clients, with 15% reporting no change, and 5% experiencing growth.

Businesses also faced challenges with loans, as 79% reported a decrease, 11% experienced no change, and 11% saw an increase (Figure 7.4). 69% of businesses import levels were negatively impacted, with 22% reporting no change and 9% observing an increase. 54% of businesses exports were affected, with 38% seeing no change and 7% reporting higher exports.
Access to supplies was significantly impacted, with 85% of businesses facing lower access, 10% experiencing no change, and 4% seeing an improvement (Figure 7.4). The ability to pay salaries and cover inputs and variable expenses were also affected, with 82% of businesses reporting a decrease in both areas, while 10% and 11% respectively saw no change, and 8% observed an increase in both aspects.

In response to the Russia-Ukraine crisis, MSMEs in Namibia have adopted various strategies to cope with the challenges they face (Figure 7.5). The survey data indicates that 25.5% of businesses have chosen to focus more on the domestic market as a way to counter the crisis. A significant 19.7% of businesses have stopped operating altogether, while 11.1% have lowered their production levels to adapt to the changing circumstances.

Some businesses have taken measures to reduce costs, such as stopping payments to staff (6.97%) and laying off staff (4.8%) (Figure 7.5). Others have sought new opportunities in the face of the crisis, with 6.97% increasing their e-commerce focus and capabilities, and 3.1% finding new external markets to explore.

Financial strategies have also played a role, with 4.8% of businesses taking new loans to bridge the crisis and 2.4% deferring planned investments (Figure 7.5). In terms of adapting to the changing business landscape, 4.09% of businesses invested in new technologies, and 3.1% started working more online and from home.

To secure their supply chains, businesses have sought new suppliers, with 5.5% finding new domestic suppliers and 1.9% finding new foreign suppliers (Figure 7.5). These responses demonstrate the adaptability and resilience of a small number of MSMEs in Namibia as they navigate the challenges posed by the Russia-Ukraine crisis.

The survey data reveals a strong connection between the main challenges faced by MSMEs in Namibia and the ongoing Russia-Ukraine crisis (Figure 7.6). A significant 75% of businesses attribute their struggles with inflation and the price of inputs to the crisis, while 48% link the crisis to the low demand for goods and services they are currently experiencing.

Moreover, the situation has been worsening for these businesses since February 2022. As shown by Figure 7.6, a staggering 88% of businesses report that inflation-related challenges have intensified, and 89% of them have experienced a further decline in the demand for goods and services. Similarly, 95% of businesses report that challenges associated with the price of inputs have worsened during this period.
7. IMPACT OF THE RUSSIA-UKRAINE CRISIS

Figure 7.1: Extent of the Russia-Ukraine Crisis
More than 50% of the enterprises experienced a negative impact due to the Russia-Ukraine Crisis.

- Negative impact
- No impact
- Positive impact

Figure 7.2: Impact by size of business
Small and medium businesses experience a more negative effect of the crisis.

- Negative impact
- No impact
- Positive impact

Figure 7.3: Impact on international traders
Non traders were less negatively affected by the Russia-Ukraine compared who trade.

- Import only
- Export only
- Both export & import
- Doesn’t trade

Figure 7.4: Aspects of business affected by the Russia-Ukraine Crisis
Access to supplies and Sales are among the among the most affected business aspects.

- Lower
- No change
- Higher

- Stock of finished goods
- Sales
- Production level
- Number of employees
- Number of clients
- Loans
- Import
- Exports
- Access to supplies
- Ability to pay salaries
- Ability to pay for inputs and variable expenses

Figure 7.5: How businesses responded to the Russia-Ukraine crisis
Most enterprises responded to the crisis by focusing more on domestic market and stopping operations.

- Focused more on domestic market
- Stopped operating
- Lowering production
- Stopped paying staff
- Increased e-commerce focus/capabilities
- Found new domestic suppliers
- Taken new loans to bridge the crisis
- Laying off staff
- Invested in new technologies
- Started working more online and from home
- Found new external markets
- Deferring planned investments
- Found new foreign suppliers

Figure 7.6: Whether main challenges of businesses are related to the Russia-Ukraine crisis
The majority of businesses believe that inflation and price of inputs are related to the crisis.

- Challenges related to Ukraine-Russia Crisis
- Challenged worsened since Feb 2022

- Inflation
- Low demand for goods and services
- Price of inputs
8. CHALLENGES AND OPPORTUNITIES IN TECHNOLOGY UPTAKE

Key findings:

- During the COVID-19 pandemic, 90% of Namibian MSMEs surveyed did not significantly adopt technology nor innovation, while 10% did, primarily increasing online presence and introducing new products or markets (Figure 8.1).
- Facebook and WhatsApp were the top platforms for marketing, contributing to 26-50% of sales for 40% of businesses (Figure 8.3).
- Despite a sales increase via digital platforms for 53.9% of businesses, low tech penetration was seen, particularly in the informal sector (Figure 8.4).
- To invest in innovation and technology, businesses primarily sought financial support and affordable internet access (Figure 8.5).

Figure 8.1 highlights the extent to which MSMEs in Namibia have adopted technology and innovation during the COVID-19 pandemic. Only 10% of businesses reported resorting to new tools and processes as a result of the pandemic, while a striking 90% did not make any significant changes in this regard.

Among the businesses that did adopt new technologies or processes, the most common changes were related to their online presence (Figure 8.1). A total of 22.7% of these businesses increased their use of online social media, while the same percentage reported heightened internet usage. In addition, 17.5% of these businesses adopted digital platforms, and 10.3% started using specialized apps.

In terms of innovation, 18.6% of businesses introduced new products, and 7.2% ventured into new markets (Figure 8.1). A minor 1.0% of businesses opted to save funds as a contingency measure during the pandemic.

Figure 8.2 sheds light on the use of social media for marketing by MSMEs in Namibia during the Covid 19 pandemic. The two most popular platforms for marketing purposes were Facebook and WhatsApp, with 28.8% and 26.1% of businesses using them respectively. Instagram was also used by 15.5% of businesses.

Other digital channels utilized for marketing included websites (9.7%), Google (7.1%), TikTok (3.4%), Twitter (3%), YouTube (2.5%), and online shops (2%). Interestingly, 1.9% of businesses reported not using any social media for marketing purposes (Figure 8.2).

During the COVID-19 pandemic, the use of technology and innovation by MSMEs in Namibia played a significant role in their sales strategies as shown in Figure 8.3. According to the survey data, for 40% of the businesses that adopted digital technology, social media accounted for 26% to 50% of sales. This demonstrates the growing influence of digital tools in driving sales for those MSMEs using technology.

The data also revealed that 6.6% of businesses had less than 10% of their sales coming from digital tools, while 25.1% had between 11% and 25% of their sales attributed to digital channels. For 10.4% of businesses, more than 50% of their sales were driven by digital tools. However, 16.1% of the surveyed businesses reported that they were unsure of the exact share of sales coming from digital channels (Figure 8.3).

During the COVID-19 pandemic, the use of digital platforms by MSMEs in Namibia impacted sales in various ways. As presented in Figure 8.4, the majority of businesses that reported using digital platforms witnessed an increase in sales, with 37.9% experiencing a slight increase and 16.0% observing a significant increase in sales from digital platforms.
On the other hand, 34.6% of businesses reported no change in their sales from digital platforms due to the pandemic (Figure 8.4). A smaller proportion of businesses experienced a decrease in sales, with 3.4% seeing a slight decrease and 8.1% experiencing a substantial decrease in sales from digital platforms during the COVID-19 pandemic.

In a similar study on the informal sector, many informal sector businesses that were surveyed did not employ digital technologies to respond to the impact of the pandemic. Those who did start to use or increase their use of digital platforms used it mainly for marketing or communication with staff and clients.

The study also found that social media platforms, especially Facebook, Instagram, and WhatsApp, were the most popular platforms among the youths now starting their own businesses due to a lack of employment. They use these platforms to advertise and sell products and services within and outside the country. Nevertheless, penetration was found to be very low. Less than one in five enterprises use a website and even fewer have an online shop facility. As a result, online sales volumes for Namibian enterprises remained constant or deteriorated during the first year of the pandemic (Oherein D, 2020).

During the COVID-19 pandemic, MSMEs in Namibia identified various types of support needed to invest in innovation and new technologies. The most common requirement was financial support, with 25.2% of businesses expressing the need for monetary assistance to invest in new technologies (Figure 8.5). Access to affordable internet is also crucial, as 13.98% of companies have indicated its importance. Other essential support areas included access to markets (12.1%), capacity building (6.1%), and improving e-commerce (5.9%).

While some businesses (11.2%) reported not needing any support, others highlighted the need to end the fuel crisis (4.1%), improve regulations and processes (3.7%), and gain access to inputs (1.55%), electricity (1.55%), and foreign currency (1.2%) (Figure 8.5). A small percentage of businesses (1.55%) considered the question not applicable to their situation.
8. USE OF TECHNOLOGY AND INNOVATION DURING COVID-19

Figure 8.1: Whether businesses resorted to new tools and processes as a result of COVID-19

Only 10% of enterprises resorted to new tools and processes due to COVID-19. Companies mainly adopted the use of online media.

Tools and processes introduced

- Online social media: 22.7%
- Increased the use of internet: 22.7%
- New products: 18.6%
- Digital platform: 17.5%
- Specialised apps: 10.3%
- Entering new markets: 7.2%
- Saving of funds or cost reduction: 1.0%

Figure 8.2: Social media used for marketing

The two most popular social media platforms used by businesses for marketing are Facebook and Whatsapp.

- Facebook: 28.8%
- Whatsapp: 15.5%
- Instagram: 9.7%
- Youtube: 7.1%
- Tiktok: 3.4%
- Twitter: 2.5%
- Google: 2.0%
- An online shop: 1.9%
- None: 2.5%

Social media accounts for 26% to 50% of sales for 40% of the businesses.

Figure 8.3: Share of sales from digital tools

- Less than 10%: 6.6%
- Between 11%-25%: 16.1%
- Between 26%-50%: 41.8%
- More than 50%: 25.1%
- Don't know: 10.4%

Figure 8.4: Impact of COVID-19 on sales from digital platforms

The majority of businesses have seen an increase in sales from digital platforms.

- Increased a lot: 34.6%
- Increased a little: 37.9%
- No change: 16%
- Decreased a little: 3.4%
- Decreased a lot: 8.1%

Figure 8.5: Support needed to invest in innovation and new technologies

Most companies need financial support to invest in new technologies.

- Financial support: 25.1%
- Access to affordable Internet: 13.96%
- Access to markets: 12.11%
- None: 11.18%
- Capacity building: 6.1%
- Improve e-commerce: 5.9%
- End the fuel crisis: 4.06%
- Improve regulations & processes: 3.73%
- Not applicable: 1.55%
- Access to inputs: 1.56%
- Access to electricity: 1.66%
- Access to foreign currency: 1.24%
9. CHALLENGES AND OPPORTUNITIES IN INTERNATIONAL TRADE AND REGIONAL INTEGRATION

Key findings:

- The main exporting challenges faced by Namibian MSMEs include a lack of finance (23.2%) and high transport costs (14.6%), with 25% of businesses recommending better access to finance and support for exporting to address these issues (Figure 9).

- Importing presents fewer obstacles, with 1.5% of businesses experiencing no issues, and diverse challenges like market knowledge and finance each reported by 9%, and 18.5% of businesses respectively (Figure 9.3). To improve imports, businesses suggest reducing custom duties (22%), and providing financial support (17%) (Figure 9.4).

- Awareness and utilization of trade agreements vary, with the SADC being the most known (62.9%), and the AfCFTA known by 21.9% (Figure 9.5). However, the majority of businesses are unaware of the AfCFTA's potential, particularly those not engaging in international trade (64.4%) (Figure 9.6).

Figure 9.1 reveals various challenges faced by MSME owners in Namibia when it comes to exporting. A significant number of businesses cite the lack of finance as the primary obstacle, accounting for 23.2% of respondents. High transport costs are another considerable concern, with 14.6% of businesses identifying it as an issue.

Other notable challenges include regulations and customs tariffs, both affecting 8.5% of businesses (Figure 9.1). Some businesses (7.3%) reported facing no hurdles in exporting, while others highlighted issues like foreign exchange constraints (7.3%), market knowledge gaps (6.1%), and lack of knowledge about how to export (6.1%). Technology challenges, lack of competitiveness in foreign markets, and corruption were each reported by 4.9% of businesses. Lastly, 3.7% of respondents felt that their home market was large enough, and thus did not prioritize exporting.

The survey on MSMEs in Namibia highlights several recommendations to improve exporting for businesses in the country (Figure 9.2). Access to finance emerges as the top suggestion, with 25.0% of respondents highlighting its importance. Additionally, 21.9% of businesses suggest providing support to facilitate exporting.

Other recommendations include reducing taxes, which 15.6% of respondents believe would help improve exports (Figure 9.2). Training (9.4%), reducing transportation costs (9.4%), and doing nothing (9.4%) were also mentioned by businesses as potential solutions. A smaller percentage of respondents proposed reducing the prices of goods (3.1%), ending the fuel crisis (3.1%), and improving access to markets (3.1%) to boost exporting opportunities.

The survey also reveals that most businesses face relatively few hurdles when it comes to importing. In fact, Figure 9.3 shows that 4.7% of respondents reported encountering no challenges at all. However, some businesses did identify specific obstacles they faced.

For instance, 25.6% of businesses mentioned customs tariffs as the main import challenge. Other respondents found issues with finance (18.5%), regulations (16.1%), high transport costs (14.2%), market knowledge (9%), corruption (4.7%), and technology (3.8%). 1.9% mentioned the lack of competitiveness in the foreign market, and 1.5% reported facing none.

The survey on MSMEs in Namibia highlights several suggestions from businesses on how to improve imports. As can be seen from Figure 9.4, the main recommendations revolve around reducing custom duties (22%), providing financial support (17%), and decreasing taxes (15%). Additionally, 12% of the respondents called for government support and import subsidies to facilitate smoother import processes.
Other suggestions include improving regulations (9%), launching awareness campaigns (6%), and enhancing transportation (5%) (Figure 9.4). Some businesses also emphasized the need to decrease corruption (5%), improve access to markets (4%), and provide training (2%). Ensuring the availability of foreign currency was mentioned by 2% of the respondents, while a small percentage (1%) felt that no improvements were needed for their imports.

The survey on MSMEs in Namibia reveals that awareness of trade agreements varies among businesses as shown in Figure 9.5. The most well-known trade agreement is the Southern African Development Community (SADC), with 62.9% of enterprises being aware of it. The African Continental Free Trade Area (AfCFTA) is known by 21.9% of the businesses surveyed.

In comparison, a smaller percentage of businesses are familiar with the African Growth and Opportunity Act (AGOA), with 6.5% being aware of it, and the Common Market for Eastern and Southern Africa (COMESA) is known by 8.7% of the respondents (Figure 9.5).

The survey on MSMEs in Namibia sheds light on how traders perceive AfCFTA. For businesses that import only, 63.0% have never heard of AfCFTA, while 32.1% are aware of its potential, and a mere 4.9% are aware of its potential and taking advantage of it (Figure 9.6).

Regarding businesses that export only, 55.5% have never heard of AfCFTA, 33.4% are aware of its potential, and 11.1% are aware of its potential and taking advantage of it (Figure 9.6). In the case of businesses involved in both exporting and importing, 50.0% have never heard of AfCFTA, 20.8% are aware of its potential, and 29.2% are aware of its potential and taking advantage of it.

Lastly, for businesses that do not engage in international trade, 64.5% have never heard of AfCFTA, 33.3% are aware of its potential, and only 2.2% are aware of its potential and taking advantage of it (Figure 9.6).
10. OUTLOOK FOR THE FUTURE AND BUSINESS POLICY IMPLICATIONS

The survey on MSMEs in Namibia reveals the outlook for the future in terms of entrepreneurs' financial situations. The overall outlook is presented in Figure 10.1. A sense of optimism emerged among most entrepreneurs about the future of their businesses. Specifically, 30.2% of respondents believe their financial situation will be a bit better than today, and 23.1% foresee it being much better than today.

Meanwhile, 18.9% of entrepreneurs expect their financial situation to remain the same as today (Figure 10.1). However, some entrepreneurs have a less positive outlook, with 19.9% anticipating their financial situation to be a bit worse than today, and 9.8% expecting it to be much worse than today.

Figure 10.2 highlights the various areas where entrepreneurs need support for their businesses' future growth. Access to capital emerges as the main area of support needed, with 18% of respondents identifying this as a priority.

Other significant areas of where support is needed included empowering local production (10%), access to markets (10%), reducing corruption (9%), access to raw materials (8%), and improving regulations (8%) (Figure 10.2). Entrepreneurs also expressed the need for government support and subsidies (7%), access to business infrastructure or premises (7%), and improved tax policies (6%).

Furthermore, participants mentioned the need for access to electricity (5%), deferral of rent (4%), increased delivery services (4%), stabilizing inflation (2%), access to internet and network (1%), access to energy or fuel resources (1%), reducing foreign competition (1%), reducing interest rates (1%), and stabilizing foreign currency (less than 1%) (Figure 10.2).
10. OUTLOOK FOR THE FUTURE

Figure 10.1: Forecast for financial situation

Most entrepreneurs are optimistic about the future of their businesses.

- Much worse than today: 9.8%
- A bit worse than today: 19.9%
- The same as today: 18.9%
- A bit better than today: 30.2%
- Much better than today: 23.1%

Figure 10.2: Area of support needed

Access to capital is the main area of support needed.
11. CONCLUSIONS AND RECOMMENDATIONS

This research aimed to assess the ramifications of the COVID-19 pandemic and the Russia-Ukraine crisis on Namibia's MSME sector, the function of regional integration in the recuperation phase following the pandemic, and how MSMEs are employing technology and innovation to counter these impacts.

The findings suggest that both the pandemic and the crisis negatively impacted the surveyed businesses, with the pandemic inflicting more substantial damage. These circumstances are intensifying existing problems, rather than generating entirely new ones. The Russia-Ukraine crisis, in particular, has stimulated inflation and escalated the prices of fertilizers and other inputs, which consequently impacted the prices and demand for goods and services.

The contribution of regional integration to the post-pandemic resurgence of the MSME sector appears to be meagre, with minimal or no observed trade between the surveyed businesses and other regions. The research also highlighted a scarcity of export activity among these businesses. The level of familiarity and usage of trade agreements differ, with the SADC being most recognized, while many businesses remain uninformed about the potential of AfCFTA, especially those not involved in international trade.

In the pursuit of enhancing both import and export activities, businesses pinpointed the necessity for information about export markets, support in accessing these markets, a decrease in customs duties and improvements in customs regulations, mitigation of transportation costs, and capacity development for producing goods for export.

Furthermore, the study found that the use of technology and innovation to tackle the effects of the pandemic and the Russia-Ukraine crisis is considerably underexploited among MSMEs. However, amongst businesses that do employ technology, WhatsApp and Facebook are the predominant tools for marketing and sales. Elements that could catalyze a higher adoption of technology, as identified by businesses, include access to finance, upgraded telecommunication services, reduced internet costs, and advanced capacity building in the development and utilization of innovations.

To summarize, both the COVID-19 pandemic and the Russia-Ukraine crisis have inflicted significant damage on Namibia's MSME sector. Regional integration seemingly has a minor part in the sector's recovery post-pandemic, and the application of technology and innovation as a strategy to mitigate these impacts is still relatively sparse.

Recommendations:

Based on the findings, the following recommendations are proposed:

1. Provide targeted support: Develop and implement support programs specifically tailored to address the challenges faced by MSMEs, considering the diverse characteristics of the sector. This should include financial assistance, access to markets, and capacity-building initiatives.
2. Foster technology adoption: Encourage MSMEs to embrace digital technologies and innovative solutions in order to enhance their competitiveness and adaptability. This can be achieved through training programs, financial incentives, and the establishment of technology hubs.
3. Enhance access to finance: Improve access to affordable financing options for MSMEs, particularly for startups and businesses in rural areas. This can be achieved through the expansion of loan schemes, loan guarantees, and partnerships with financial institutions.
4. Strengthen international trade linkages: Support MSMEs in exploring and leveraging regional and international trade opportunities, including through participation in trade fairs, capacity-building programs on trade regulations, and access to trade finance facilities.

5. Promote entrepreneurship and innovation: Foster a conducive ecosystem for entrepreneurship and innovation by providing business development services, incubation programs, and mentorship opportunities. This will encourage the growth of innovative startups and promote economic diversification.

6. Enhance policy coordination: Improve coordination among government agencies and stakeholders involved in supporting MSMEs, to ensure a coherent and comprehensive approach. This includes aligning policies related to taxation, regulation, and procurement, in order to create an enabling environment for MSME growth.

7. Strengthen data collection and analysis: Enhance the collection and analysis of data on MSMEs to better understand their characteristics, challenges, and contributions to the economy. This will facilitate evidence-based policymaking and monitoring of the sector's progress over time.

By implementing these recommendations, Namibia can create an environment that nurtures the growth and resilience of MSMEs, contributing to sustainable economic development and job creation in the country.
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16. Responses provided by Dr Michael Humavindu, Executive Director, Ministry of Industrialization, Trade and SME Development (MITSMED) to qualitative questionnaire sent to government institutions.
ANNEXES

Survey Questionnaire

Introduction and consent to interview
   a. Yes
   b. No

A. Respondent Demographics

A1. Current role in the business (tick those that apply)
   a. Sole owner
   b. Co-owner
   c. Board member
   d. Managing Director/CEO
   e. Manager
   f. Staff
   g. Other________________________

B. Enterprise/Firm Characteristics

1.1 Name and start year

B1. Country of the Survey
   a. Namibia

B2. Name of the Enterprise/Firm
   a. ________________________________

B3. In what year did the Enterprise/Firm start operating in the Namibia?
   a. ________________________________

1.2 Location

B4. Does the Enterprise/Firm have global Headquarters in Namibia?
   a. Yes
   b. No

B5. If no to B4, in which country is the Headquarters located?
   a. Country_______________________

B6. If yes to B4, does the Enterprise/Firm have establishments in other countries?
   a. Yes
   b. No

B7. If yes to B6, please list the countries in which the Enterprise/Firm has establishments
   a. Country a_______________________
   b. Country b_______________________
   c. Country c_______________________
   d. Other countries__________________

B8. Province of the national enterprise Headquarters
   a. Zambezi
   b. Erongo
   c. Hardap
   d. Karas
   e. Kavango West
B9. Location of the national enterprise Headquarters
   a. Rural
   b. Urban

1.3 Main economic activity

B10. Main Economic Activity of the Enterprise/Firm (select as applicable)
   a. Agriculture, forestry and fishing (A)
   b. Mining and quarrying (B)
   c. Manufacturing (D)
   d. Construction (F)
   e. Wholesale and retail trade (G)
   f. Transport and storage (H)
   g. Accommodation and food services (I)
   h. Information and communication (J)
   i. Financial and insurance activities (K)
   j. Real estate activities (L)
   k. Professional, scientific and technical (M)
   l. Human health and social work activities (Q)
   m. Arts, entertainment and recreation (R)

B11. Description of economic activity (describe what your enterprise does)
   a. ____________________________

1.4 Business registration

B12. Business registration
   a. Sole proprietorship
   b. Private company limited by shares
   c. Publicly traded company (Ltd)
   d. Cooperative
   e. Limited by guarantee
   f. NGO
   g. Not registered (informal)
   h. Other ____________________________

B13. Is the Enterprise/Firm a member of a business association?
   a. Yes
b. No

B14. If yes, which ones?
   a. Namibia Chamber of Commerce and Industry
   b. Other (specify)

1.5 Ownership

B15. What is the gender of owners?
   a. Fully owned by women (100%)
   b. More than 50% owned by women
   c. Less than 50% owned by women
   d. Fully owned by men (100%)

B16. What is the nationality of owners?
   a. Fully owned by nationals (100%)
   b. More than 50% owned by nationals
   c. Less than 50% owned by nationals
   d. Fully owned by foreigners (100%)

B17. If any foreign owners, list their nationality
   a. ________________________________
   b. ________________________________

C. Enterprise/Firm Performance

1.6 Capacity utilization

C1. Are you currently producing at full capacity
   a. Yes
   b. No

C2. If no to C2, what level of capacity are you currently operating at?
   a. Less than 50%
   b. 50-60%
   c. 61-70%
   d. 71-80%
   e. 81-90%
   f. 91-100%
   g. Don’t know

1.7 Staffing

C3. Number of employees in the beginning of July 2022:
   a. Permanent employees
   b. Part-time employees
   c. Casual Labour

C4. Number of employees in the beginning of July 2021:
   a. Permanent employees
   b. Part-time employees
   c. Casual Labour

C5. Number of employees in the beginning of July 2020:
a. Permanent employees________________
b. Part-time employees_________________
c. Casual Labour_____________________

C6. Number of employees in the beginning of July 2019:
   a. Permanent employees________________
   b. Part-time employees_________________
   c. Casual Labour_____________________

C7. Do you currently have any plans for increasing or decreasing staff numbers in the coming 6 months?
   a. Significantly increase
   b. Moderately increase
   c. No change planned
   d. Moderately decrease
   e. Significantly decrease

1.8 Sales turnover

C8. In what currency do you report sales:
   a. National currency
   b. USD
   c. Other: (specify) ______________________

C9. Estimated sales turnover for the financial year ending in the following years:
   a. 2022 (expected)_____________________
   b. 2021_____________________________
   c. 2020_____________________________
   d. 2019_____________________________

1.9 International trade

C10. Does this Enterprise/Firm export, import or both?
    a. Both exports and imports
    b. Export only
    c. Import only (skip to C15)
    d. Firm does not import nor export
    e. Don’t know

C11. In what currency do you report export sales:
    a. National currency
    b. USD
    c. Other: (specify) ______________________

C12. Estimated exports for financial years ending in the following years
    a. 2022 (expected)_____________________
    b. 2021_____________________________
    c. 2020_____________________________
    d. 2019_____________________________
C13. Over the past year, which countries did the enterprise export to?
   a. Southern Africa
   b. Rest of Africa
   c. Europe
   d. Asia & Oceania
   e. North America
   f. South America

C14. If “a.” to C13, to which countries? (Tick those that apply)
   a. Angola
   b. Botswana
   c. Eswatini
   d. Lesotho
   e. Malawi
   f. Mauritius
   g. Mozambique
   h. Namibia
   i. South Africa
   j. Zambia
   k. Zimbabwe

C15. Over the past year, which countries did the enterprise import from?
   a. Southern Africa
   b. Rest of Africa
   c. Europe
   d. Asia & Oceania
   e. North America
   f. South America

C16. Over the past year, what type of imports did the enterprise buy from foreign suppliers?
   a. Intermediate goods
   b. Finished goods
   c. Services
   d. Others: (specify)

D. Business Challenges and Policy Response

1.10 Challenges in general

D1. What are currently the main challenges for the business? (tick the 3 most relevant)
   a. Low demand for goods and services
   b. Accessing capital
   c. High interest rates
   d. Devalued currency
   e. Price of inputs
   f. Supply chain disruptions
   g. Regulations
   h. Corruption
   i. Access to skilled labour
   j. High taxes
k. Others: (specify)____________________

For each selected, specify the issue (loop):

D2. If challenge a selected:
   a. Specify____________________________________________________

D3. If challenge b selected:
   a. Specify____________________________________________________

D4. If challenge c selected:
   a. Specify____________________________________________________

D5. If challenge d selected:
   a. Specify____________________________________________________

D6. If challenge e selected:
   a. Specify____________________________________________________

D7. If challenge f selected:
   a. Specify____________________________________________________

D8. If challenge g selected:
   a. Specify____________________________________________________

D9. If challenge h selected:
   a. Specify____________________________________________________

D10. If challenge i selected:
   a. Specify___________________________________________________

D11. If challenge j selected:
   a. Specify___________________________________________________

D12. If challenge k selected:
   a. Specify___________________________________________________

1.11 Impact of COVID-19 pandemic 2020-2022

D13. How did the COVID-19 pandemic impact your business during 2020 and 2021?
   a. Highly positive impact
   b. Moderately positive impact
   c. No impact
d. Moderately negative impact  
  e. Highly negative impact  

**D14. What was the impact on your business in the following parameters? (Tick your rating)**

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Very Low</th>
<th>Low</th>
<th>No Change</th>
<th>High</th>
<th>Very High</th>
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<tbody>
<tr>
<td>a. Sales</td>
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<td>g. Access to supplies to operate the business</td>
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<td>h. Ability to pay salaries</td>
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<td>i. Ability to pay for inputs and variable expenses</td>
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<td>k. Imports</td>
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</table>

**D15. If positive impact (a or b to D13), in what way did the pandemic have a positive impact on your business?**

- a. Increased profit margins from higher prices  
- b. Less competition in the market  
- c. Improved access to skilled labour  
- d. Increased use of technology  
- e. Increased use of local raw materials  
- f. Other: (specify)_________________________

**D16. How did your business respond to the pandemic 2020-22? (select those that apply)**

- a. Stopped operating  
- b. Stopped paying staff  
- c. Laying off staff  
- d. Lowering production  
- e. Found new domestic suppliers  
- f. Found new foreign suppliers  
- g. Invested in new technologies  
- h. Taken new loans to bridge the crisis  
- i. Started working more online and from home  
- j. Increased e-commerce focus/capabilities  
- k. Deferring planned investments  
- l. Found new external markets  
- m. Focused more on domestic market  
- n. New customer/go to market strategy  
- o. Created new organizational structure  
- p. Other: (specify)_________________________

**D17. Since the outbreak of COVID-19 in 2020, has this establishment benefited from support measures issued in response to the crisis?**  

- [ ]
D18. If no to 17, what of the follow options best describe the reason why this establishment did not receive any national or local government measures issued in response to the crisis?
   a. We were not aware
   b. Too difficult to apply
   c. We were not eligible
   d. We applied but did not receive it
   e. Corruption is preventing us to access
   f. Other: (specify)_________________________

D19. If yes to D177, what kind of support? (tick those that apply)
   a. Cash transfer
   b. Deferral of rent, mortgage or utilities
   c. Deferral of credit payments
   d. Suspension of interest payments
   e. Rollover of debt
   f. Access to new credit
   g. Loans with subsidized interest rates
   h. Fiscal exemptions or reductions
   i. Tax deferral
   j. Wage subsidies
   k. Suspension of membership fees
   l. Personal Protection Equipment (PPE)
   m. Hand washing stations or hand sanitizer
   n. Health and Safety guidelines on social distancing in the workplace

D20. Who provided the support?
   a. Landlord
   b. Commercial bank
   c. The Government
   d. Family
   e. Suppliers
   f. Buyers
   g. Business Association
   h. Other: (specify)_________________________

D21. To what extent was the support useful for the business?
   a. Very useful
   b. Useful
   c. Not very useful
   d. No effect
   e. Negative effect

D22. By mid-2022, to what extent was the business still impacted by the COVID-19 pandemic?
   a. Now a highly negative impact
b. Now a moderately negative impact

c. No impact any more

d. Now a moderate positive impact

e. Now a highly positive impact

1.12 Impact of Russia-Ukraine war since February 2022

D23. How is the Russia-Ukraine war since February 24th impacting your business?

a. Highly negative impact

b. Moderate negative impact

c. No impact

d. Moderate positive impact

e. Highly positive impact

D24. What was the impact on your business in the following parameters? (Tick your rating)

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</table>

D25. If positive impact (a or b to D13), in what way did the Ukraine crisis have a positive impact on your business?

a. Increased profit margins from higher prices

b. Less competition in the market

c. Improved access to skilled labour

d. Increased use of technology

e. Increased use of local raw materials

f. Other (specify)__________________________

D26. How did your business respond to the Ukraine crisis? (select those that apply)

a. Stopped operating

b. Stopped paying staff

c. Laying off staff

d. Lowering production

e. Found new domestic suppliers

f. Found new foreign suppliers

g. Invested in new technologies

h. Taken new loans to bridge the crisis
i. Started working more online and from home
j. Increased e-commerce focus/capabilities
k. Deferring planned investments
l. Found new external markets
m. Focused more on domestic market
n. New customer/go to market strategy
o. Created new organizational structure
p. Other: (specify)

D27. Since the Ukraine crisis, has this establishment benefited from additional support measures beyond those issued in response to the crisis?
   a. Yes
   b. No

D28. If no to D17, what of the following options best describe the reason why this establishment did not receive any national or local government measures issued in response to the Ukraine crisis?
   a. We were not aware
   b. Too difficult to apply
   c. We were not eligible
   d. We applied but did not receive it
   e. Corruption is preventing us to access
   f. Other: (specify)

D29. If yes to D17, what kind of support? (tick those that apply)
   a. Cash transfer
   b. Deferral of rent, mortgage or utilities
   c. Deferral of credit payments
   d. Suspension of interest payments
   e. Rollover of debt
   f. Access to new credit
   g. Loans with subsidized interest rates
   h. Fiscal exemptions or reductions
   i. Tax deferral
   j. Wage subsidies
   k. Suspension of membership fees
   l. In-kind contribution of inputs/raw materials
   m. Other: (specify)

D30. Who provided the support?
   a. Landlord
   b. Commercial bank
   c. The Government
   d. Family
   e. Suppliers
   f. Buyers
   g. Business Association
h. Other: (specify)________________________

D31. To what extent was the support useful for the business?
   a. Very useful
   b. Useful
   c. Not very useful
   d. No effect
   e. Negative effect

1.13 Desired Policy response

D32. To what extent do you think the current Government policies are positive for the business environment in Namibia?
   a. Extremely positive
   b. Very positive
   c. Moderately positive
   d. Moderately negative
   e. Very negative
   f. Extremely negative

D33. What measures would be needed to improve the business environment in the current situation? (pick maximum 2)
   a. Prefer as little government interventions as possible
   b. Loan guarantee facilities
   c. Trade agreements with improved market access
   d. Tax deferral
   e. Wage subsidies
   f. Subsidies on inputs
   g. Cash transfers
   h. Other: (specify)________________________

E. Trade Agreements

E1. Does the Ukraine crisis have any impact on your ability to trade?
   a. Severe impact
   b. Moderate impact
   c. Insignificant impact
   d. No impact at all

E2. As of today, does the COVID-19 pandemic still impact your ability to trade internationally?
   a. Severe impact
   b. Moderate impact
   c. Insignificant impact
   d. No impact at all

E3. What hurdles are you currently facing related to exporting?
   a. Regulations
   b. Customs tariffs
   c. Market knowledge
d. Not competitive in foreign markets
   e. Technology
   f. High transport costs
   g. Corruption
   h. Lack of knowledge how to export
   i. Home market is large enough
   j. Other (specify)________________________

E4. In your view, what could government do to improve your ability to export?
   a. Specify______________________________

E5. What hurdles are you currently facing related to importing?
   a. Regulations
   b. Customs tariffs
   c. Market knowledge
   d. Not competitive in foreign markets
   e. Technology
   f. High transport costs
   g. Corruption
   h. Lack of knowledge how to import
   i. Home market is large enough
   j. Other (specify)________________________

E6. In your view, what could government do to improve your ability to import?
   a. Specify______________________________

E7. To your knowledge, which of these trade agreements is your country signatory to?
   a. AfCFTA
   b. SADC
   c. COMESA
   d. AGOA
   e. Others (specify)________________________

E8. In your perception, what is the main objective of the AfCFTA?
   a. Specify________________________

E9. Are you planning to take advantage of new opportunities in AfCFTA?
   a. Yes
   b. No

E10. What will be the impact of AfCFTA on your business?
    a. Very positive impact
    b. Positive impact
    c. No impact
    d. Negative impact
    e. Very negative impact

E11. If positive impact, how does the business benefit? (tick maximum 2)
a. New market access on the company
b. Improved access to suppliers and inputs
c. Improved access to skilled labour
d. Improved access to investing in other countries
e. Opportunities for using new technology
f. Improved access to investment into the business due to a larger market
g. Others (specify)__________________________

E12. If negative impact, how is the business impacted? (tick)
a. Increased competition in our home market   
b. Others (specify)__________________________

E.13. What do you think will be the top 3 most significant challenges for your enterprise to be able to trade under the AfCFTA and benefit?
a. Specify_______________________________
b. Specify_______________________________
c. Specify_______________________________

F. Use of Technology

F1. For which of the following business functions has this establishment started using or increased the use of internet, online social media, specialized Apps or digital platforms in response to COVID-19 outbreak? Choose all options that apply
a. Communicating with employees
b. Communication with clients and suppliers
c. Supply chain management
d. Marketing
e. Sales and bookings
f. Payment methods
g. Service delivery
h. Other: (specify)________________________

F2. Has the use of technology in the business increased or decreased in response to COVID-19?
a. Increased a lot
b. Increased a little
c. No change as a result of COVID-19
d. Decreased a little
e. Decreased a lot

F3. Does your business use any of the following to market your business or sell your products or services?
   a. A website
   b. Facebook
c. An online shop
d. Youtube
e. Instagram
f. Whatsapp  

g. Twitter  

h. None of the above  

i. Other (specify)______________________________

F4. If any to the above, what is the share of sales generated using the external digital platforms?

a. Less than 10%  
b. Between 11%-25%  
c. Between 26%-50%  
d. More than 50%  
e. Don’t know

F5. Has the focus on using digital platforms for sales increased or decreased as a result of COVID-19?

a. Increased a lot  
b. Increased a little  
c. No change  
d. Decreased a little  
e. Decreased a lot

F6. In the year ahead, do you plan to invest in new technologies for your business operations or sales?

a. Yes  
b. No

F7. If yes, in what?

a. Specify______________________________

F8. What is the motivation for investing?

a. Demanded by clients  
b. Responding to competitors  
c. To lower costs  
d. To access new markets  
e. Others (specify)______________________________

F9. If No, why not?

a. Too expensive  
b. Don’t know what to invest in  
c. Cannot find a product/supplier  
d. No need

F10. What kind of support would you need from Government in order to invest in new technologies?

a. Specify______________________________